

Difficulties of Tariff Revision

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IT is probable that at no period in the history of this country has tariff making been attended with greater difficulties than those that now confront us. The purpose of this article is merely to describe some of the new problems that have arisen, and not to lay down the policies that Congress should adopt for their solution.

The situation that has developed since the war calls for peculiar accuracy in adjusting duties so as to achieve the purpose for which tariff revision is undertaken. The overwhelming victory of the Republicans at the last election has been interpreted by that party as a mandate to give additional protection to American industries, and the party will be held responsible for making the protection adequate. Both before and since the election deflation and falling prices have caused marked disturbance and uneasiness in American business, and the possibility of increased foreign competition before the reestablishment of more settled conditions is contemplated with unusual anxiety. In the case of most industries the pressure for more protection appears to be based on a fear of what may happen when the channels of commerce are reopened to their normal capacity, rather than on any actual injury incurred from what is happening now. At the same time, strong as this pressure is, public opinion is averse to seeing duties fixed unnecessarily high.

In the first place, the inconvenience and hardship caused by the

high prices that prevailed for several years have been acutely emphasized in recent months by falling wages and the growth of unemployment. The great bulk of consumers are no longer able to pay war prices and the so-called "consumers' boycott" of 1920 has made this clear. Whatever truth there may be in the claim that a high tariff is a stimulus to industry which will increase employment and make possible higher wages, such a result is necessarily delayed, while its effect on prices is immediate. Furthermore, it is difficult to disabuse the public of the belief that "the tariff is the mother of trusts" and that high duties encourage agreements and combinations for raising prices. The association, therefore, of a high tariff with any discrepancy that may arise between wages and prices might well cause a reaction in what seems to be the attitude of the public towards foreign competition.

In the second place, our newly acquired position as a creditor nation on a great scale calls for caution in putting narrow limitations on imports. Foreign countries are already finding the utmost difficulty in making payments on the large debts now owed to us and the exchange situation is causing grave anxiety and inconvenience. The remedies hitherto proposed are merely temporary expedients to relieve an acute emergency. We may extend further credit, we may postpone interest payments, we may accept foreign securities, but eventually payments can be made only

in goods or services. It should be remembered also that several important forms of service by which foreign countries formerly settled the balance of trade with us will now be available in greatly reduced amount. Thus foreign vessels will no longer carry 90 per cent. of our commerce; the volume of immigration will be diminished and immigrants' remittances to Europe will be smaller; and for years to come Europe is not likely to be the playground of rich Americans whose liberal expenditures formerly balanced a large percentage of our exports.

Even the extreme proposal that we should cancel the greater part of the foreign debts does not entirely relieve the situation, since unless we abandon foreign markets those debts will grow again. It is obvious that such an abandonment cannot be made without unfortunate consequences. For years we have been working assiduously to develop our export trade. Great sums have been invested and many industries have been adjusted with a view to supplying foreign markets. To save the gains in this field made during the war is the purpose of numerous measures both of the government and of our financial institutions. Many important industries would face irretrievable ruin if they were now deprived of a vent for their products abroad. It is inevitable that a great curtailment of our foreign trade would precipitate a crisis of disastrous character. This consideration will doubtless be se-

riously weighed by Congress in revising the tariff.

In the third place, a tariff that rigidly excludes foreign goods is likely to provoke retaliation in some form by foreign governments and to create a prejudice against American products among foreign consumers. Sufficient evidence of this is furnished by the bitterness and resentment aroused by the Emergency Tariff Bill, which recently passed Congress and was vetoed by the President. In Argentina a bill providing a retaliatory duty of 40 per cent. on American imports is strongly urged and is widely commended in the Argentine press. The Canadian newspapers are advocating a further extension of the preferential rates on British goods which were first adopted after the passage of our Dingley Tariff. Unfortunately there is already in many countries a wide-spread opinion, founded on envy, ignorance and suspicion, that the exchange situation is due to the selfish machinations of American financiers and business men. A high tariff tending to make our international trade even more one-sided than at present will be regarded as a further expression of a grasping and selfish policy that aims to use our economic strength to exploit weaker nations. Special circumstances, it is true, will restrain many countries from formal retaliation; but a general sense of unfair treatment would hamper American business in much the same way as would an organized boycott.

What Industries?

Equally difficult to determine as the amount of protection to be granted is the question as to what industries should be protected. In the past this has been a fairly simple matter. Protection in this country has really meant protection to manufacturing. With the exception of wool and a few minor products, agriculture has been little concerned with securing high duties. But it is in agriculture that the effect of falling prices in recent months appears to have been most pronounced and where there has been a total lack of preparation to meet postwar conditions. In consequence the wheat farmers, the cotton growers, the cattle and sheep men, and agricul-

turists in general, are finding themselves in serious straits; and for that reason they are pushing every measure that appears to offer any possibility of relief with an urgency that approaches desperation. This accounts for their demand for the exclusion of foreign agricultural products from the American market at the same time that they are seeking government aid to dispose of their own surplus abroad.

Besides these products there are other raw materials that equally fear the pressure of foreign competition. Such, for example, are the so-called "war minerals," the minerals, that is, the production of which in this country was either first developed or greatly extended during the war. Prominent among these are magnesite, tungsten, potash, manganese and others. In response partly to the temptation of high prices and partly to a patriotic desire to supply necessities that could not be procured elsewhere, large investments were made and many men engaged in the production of these things during the war. Some of these men, perhaps most of them, would be compelled to cease operations if they had to compete with foreign producers on anything approaching equal terms. But their needs differ only in degree from the needs of those producing other raw materials. In more urgent tone, therefore, than ever before the question is pressing as to where the line shall be drawn in giving protection and whether, indeed, any line shall be drawn at all.

The situation is further complicated by the fact that important new industries have appeared that are not integrated with other branches in the manner that was common in our industrial system before the war. In other words, the finished products of these industries are the raw materials of others with which they have no organic connection. The clearest illustration of this is the dyestuff industry, a young giant that has reached mighty proportions within six years. Striking as its growth has been, this industry can by no means hold its own in competition with the older, more firmly organized and more highly developed dyestuff industry of Germany. But in seeking protection its interests are in direct

conflict with those of the textile manufacturers and other users of dyestuffs. Exceptionally heavy duties, therefore, enacted for its protection would be damaging to other industries of equal or even greater importance. The failure in the Senate of a bill that passed the House in the last Congress for the benefit of this new industry may be taken as an indication that there will be insistence on a very careful and accurate adjustment of duties in this particular case.

With foodstuffs and other raw materials the problem is essentially the same as with dyestuffs. How can they be protected without injury to the industries that must use them? The time seems to be at hand when Congress must determine whether or not the public welfare requires that all branches of productive industry shall be equally protected. Its conclusion will be fraught with grave consequences. If it determines that free raw materials are essential to our industrial prosperity the dissatisfaction of the "embattled farmers" and their allies may be strong enough to break down the protective system altogether. If, on the other hand, foodstuffs and raw materials are to be protected the compensatory duties that must be added to the protective duties on manufactures may result in a tariff so high as to spread dissatisfaction among all classes. Truly the situation is not an easy one and caution and moderation are imperatively demanded.

Ad Valorem and Exchange

Yet another matter that comes up to vex the soul of the tariff maker is the unequal working of ad valorem duties on similar products from different countries. This is due partly to abnormal exchange conditions and partly to equally abnormal industrial conditions abroad. In the case of many commodities duties that would be sufficiently protective against undue competition from England would scarcely stem their importation from Germany. Indeed, England herself and the other allies, and also Denmark, Switzerland and Norway are seriously concerned at the severe competition of various German industries. Several of these countries have already taken action to relieve

the situation, and additional measures are being proposed. Under these circumstances duties that would be only moderately protective against certain imports from Germany—and the same is true of some of those from the Orient—would utterly prohibit the entry of similar goods from other countries.

At present the press is attributing to the President and certain leaders in Congress the purpose of trying to remedy this trouble by assessing duties, not as heretofore on the value of goods in the country of origin, but on their value or the value of comparable American goods in this country. The position of the writer of this article renders it unbecoming that he should discuss here, even if space were available, the nature of this proposal. It may be said, however, dismissing as beside the question the claim of some of its opponents that the plan is merely a device for deceiving the public by raising duties in fact while retaining or reducing them in form, that the chief argument in favor of the proposal is that it provides for the same tax on similar goods no matter what may be their country of origin or what may have been the difference in their cost. The chief argument against it, on the other hand, lies in the difficulty of administration. Our customs machinery, strengthened by more than a hundred years of experience, precedents and court decisions, works, not altogether smoothly indeed, but still it works. The change at this time, when commerce already labors under so many uncertainties, to a different basis of assessment, which after a two months' trial was abandoned by this country in 1842, is regarded by the opponents of the proposal as likely to create more trouble than it will relieve.

A "Bargaining Tariff"

It is expected that the revised tariff will include some provision to prevent foreign nations from discriminating against our commerce. This is now peculiarly necessary. Owing to the shock administered by the war to their feeling of security, most foreign nations are seeking, as far as possible, to attain a state of self-sufficiency and economic independence. Moreover, the disar-

agement of their productive activities demands a careful adjustment of their foreign trade to the rehabilitation of their industries. Such an adjustment may well call for differing treatment of different countries. The denunciation by some nations of their commercial treaties and conventions, under which equal treatment was guaranteed, leaves them a free hand for restricting their commerce with each separate country according as their needs may seem to require. There are already many evidences of the growth of preferential arrangements, special bargains, exclusions and discriminations.

To meet this situation there has been some advocacy of our adoption of a "bargaining tariff." If this means that we should concede to individual nations special rates on their products in return for special favors to our commerce it would result in unbearable confusion and controversy. Our experience with reciprocity arrangements shows them to be difficult of fair adjustment, very doubtful of ratification and usually productive of little benefit. If the concessions we make involve only those commodities that need no protection, the interest of domestic consumers requires that they should be on the free list in any case. If, on the other hand, they involve commodities that are deemed to require protection they must result in the sacrifice of some industries in order to secure for others access to foreign markets. The only alternative would be to make the tariff originally so high that the concessional rates would still be protective. Such a tariff would scarcely be viewed with complaisance by the American public; and if the terms on which our concessions were offered should be rejected by other countries it would leave us with a serious maladjustment of duties.

A more feasible means of preventing discrimination would be found in a provision for levying additional or penalty duties on imports from such countries as refuse us treatment equally favorable with that given to any other nation. Such a provision was found in the Payne-Aldrich Tariff Act, but it was too crude and inflexible to be successfully administered. The im-

position of heavy duties indiscriminately on all imports from an offending country, in the manner prescribed in that law, might well be more damaging to ourselves than to those we wish to penalize. In the case, for example, of jute and burlap from India, of nickel from Canada or of natural camphor from Japan heavy duties would burden only our own consumers, since each of these commodities is a natural monopoly of the country from which it comes. To achieve the end in view it will be necessary in the case of each country to make a careful selection of the articles for additional taxation if we are adequately to penalize discrimination with the least possible injury to ourselves. It is obviously impossible for such a selection to be made in a general tariff law. It is equally impossible to secure effective relief if a special act of Congress is required for dealing with every case of discrimination and unfair treatment that may arise. Power should be vested in the President under certain general provisions to investigate infringements of our rights in commerce, to determine the adequacy of the penalty to be imposed and to proclaim the rates of additional duties and the articles on which they are to be imposed. This whole matter has been thoughtfully treated in a report of the United States Tariff Commission on "Reciprocity and Commercial Treaties," and reference may be here made to that report for a full discussion of the subject.

Prevention of "Dumping"

A feature of the proposed tariff revision that calls for serious attention is the inclusion in it of a provision to prevent "dumping." Strictly speaking, this term signifies the disposal of goods in a foreign market at a lower price than they sell for in the country where they are produced. It has come to be frequently used, however, to mean the sale of imported goods for any reason at all at a price that is substantially lower than domestic producers are able or willing to take. These two uses of the term should be carefully distinguished; for the first practice is reprehensible and should be specially dealt with, while the other is a legitimate use of those

advantages in production which the general tariff is presumed to equalize. Even in the stricter sense dumping is not always the result of evil motives, yet it is none the less a disturbing and in the main an unfair form of competition. Although opinions may, and do, diverge as to the urgency of our present need for anti-dumping legislation, there is no disagreement that the practice in its nature is harmful and that it should be prevented if this can be done without too much interference with legitimate commerce.

Sporadic Dumping

There seems always to have been a certain amount of sporadic dumping into this country. But an extensive inquiry of the Tariff Commission in 1919 elicited no convincing evidence that, with the possible exception of the German chemical industry, it had ever been practiced systematically or on a large scale. The present anxiety in regard to it appears to have grown out of certain disclosures and allegations about German commercial methods that were given wide notoriety during the war. There is little doubt that the prevalence and gravity of Germany's offenses in this field have been exaggerated. But even with due allowance for this it cannot be denied that she was not scrupulous in her selection of means to win and retain the great place she held in the world's commerce. Indeed, recent German writers seek, not to disprove the accusations against her, but rather to explain why it appeared more necessary for Germany than for other nations to make a systematic practice of dumping. Fear of a renewal of this practice with the fuller restoration of commercial relations goes far to account for the current agitation about dumping. Added to this fear is a realization of the generally demoralized condition of business in Europe. The urgent need of many foreign countries to sell their products abroad, the value to them of the American market, the removal of many of the old barriers erected against fraudulent dealing by custom, treaty and law—these and other considerations ex-

plain the present uneasiness of American manufacturers in regard to all forms of unfair competition. It is easy enough to make dumping unlawful, but it is by no means so easy to prevent it without resort to inquisitorial and restrictive measures that would seriously impede legitimate commerce. A Canadian law that has been in operation since 1904 appears in the main to have been successful. It penalizes dumping by imposing an additional duty on dumped goods equal to the difference between the price at which they are sold in Canada and their price in the country of origin. In administering it the customs officials have devised the plan of demanding access to the exporter's books so as to ascertain his true home market prices, and a refusal of this demand is met by the immediate imposition of the dumping duty. The success of the law seems to be due in largest measure to the fact that it was originally directed and has been practically enforced almost wholly against the United States, from which comes the greater part of Canada's imports and with which her commercial relations are peculiarly close.

An anti-dumping bill which passed our House of Representatives in the last Congress, and which, according to press reports, is likely to be introduced again at the coming session, is modeled after the Canadian law, but is distinctly more drastic. It provides not only that any person importing merchandise must on request open his own books for inspection by a government officer, but furthermore, if he "shall fail . . . to secure permission for a duly accredited officer of the United States to inspect any or all books, records, accounts, documents or other papers pertaining to the value or classification of such merchandise, of the person selling, shipping or consigning the merchandise to the United States, then the Secretary of the Treasury shall, while such failure or refusal continues, prohibit future importations into the United States of merchandise from such seller, shipper or consignor by any importer." It is questionable, of course, whether

British, German or Japanese manufacturers would show to American officials demanding this permission the same complaisance that we have shown to the customs officials of Canada. If the terms of the bill were strictly enforced, a general denial by foreigners of access to their books would result in prohibiting imports altogether. There is little likelihood, however, of such a general refusal, since many producers will make any possible concession rather than be excluded from the American market altogether. Evasions, misleading entries, double sets of books and similar devices are more probable means of nullifying the law.

The Japanese Clause

The anti-dumping clause of the Japanese tariff, which went into operation last August, shows substantial differences from the Canadian law. It provides that additional duties shall be levied on goods when any important industry is threatened with injury by their import and sale at an unreasonable price. A board of inquiry is constituted upon whose recommendation the duties are put into effect and the law does not specify what steps the board shall take to ascertain the facts. It is free to exercise discretion in its procedure; and while in some cases it may fail to secure such accurate information as is contemplated by the Canadian plan, yet it may perhaps achieve on the whole a wider success by allaying opposition and irritation.

Memorial Services in a Bank

The Midland National Bank conducted a memorial service in the lobby of its banking house on the afternoon of March 14 for Hiram Rogers Lyon, chairman of the board of directors, who died on March 12, at his winter home in Pasadena, Calif. Rev. Dr. C. Edgar Haupt of the Breck School of St. Paul delivered a sermon. Mr. Lyon had been president of the Midland National Bank until 1919.

How Shall We Get the Money?

(The Revenue Act of 1921)

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ONE thing only is certain. There will be a Revenue Act of 1921. No other point in the whole situation seems to be settled. No one knows when the act will be passed, whether early or late in the year, what the character of the act will be, what old taxes it will discard and what new ones it will establish, or how much revenue it will aim to produce. Consequently it will be profitable to restrict this discussion to a brief analysis of the factors which make a new Revenue Act imperative and of the principles which should be followed in its formulation.

The reasons for a new Revenue Act are both political and financial in character. Not only is there grave doubt concerning the fiscal adequacy of existing taxes, but there is definite certainty regarding the faulty character and the unpopularity of several of the levies. The tax question assumed no great importance in the late campaign largely because, it is said, both great parties were committed beforehand to the abolition of the excess profits tax, the one change which the business men of the country demand in no uncertain tones. The mere repeal of this tax is enough to insure the passage of a new revenue act, for its removal not only involves important structural changes in the income tax, but it also raises the question as to the adequacy of the remaining taxes to meet the financial demands of the period which lies immediately ahead. Another factor is the political necessity for a certain amount of tariff-tinkering, the fiscal results of which are almost certain to be as negligible as its general economic effects may be mischievous. Thus the door is opened wide for the consideration of the whole problem of Federal finance. Probable expenditures must be tentatively estimated and determined and available resources reviewed and appraised. In the process every tax in the Federal system will be scrutinized and the

changes will doubtless be many. What, then, are the important elements in the situation?

The outstanding fact which will mold and shape our national fiscal policy for the next twenty years is that America emerges from the war with a debt of twenty-four billions of dollars (\$24,051,684,728.24 on February 28, 1921). There are two mitigat-

owned by his wife or his next-door neighbor is, judged from the point of view of economic consequences, quite a different thing. A large proportion of the money received in payment of the Liberty bonds would undoubtedly be immediately reinvested rather than spent for articles of consumption. In the main the operation would consist of a redistribution rather than consumption of capital.

The debt certainly should be cleared off as soon as practicable and in deciding what is practicable perhaps the most fundamental question relates to the quality of the tax which would have to be adopted in order to raise funds to pay it off. We could conceivably pay it off in a single year if we chose, but such a course would involve the adoption of some very bad taxes. Indeed, the best excuse for not meeting the cost of the war entirely on the "pay-as-you-go" principle is the fact that, by postponing the collection of some of the war taxes until after the war, the distribution of the burden can be made more just and equitable. All in all, taxation for paying off a domestic debt such as ours should not be regarded by bankers and business men as throwing gold into the sea. On the contrary, levies for such a purpose should be encouraged to the extent that they do not involve resort to unattractive and unjust forms of taxation.

The fact that we passed on to our Allies so large a share of the proceeds of our Liberty Loan drives, instead of spending the proceeds directly ourselves, also affects the revenue problem in an important manner. A small portion of these loans may as well be written off as a loss and forgotten. Most of them, however, will probably be paid, ultimately, if we insist upon it. However, they cannot be paid without extensions of time. Up to the present not even the interest has been paid on them. But students of the problem are beginning to

Your Own Money

Here is an article which deals with a subject touching every pocketbook and every cash box. The present revenue law is both unpopular and inadequate. In devising ways and means with which to pay the gigantic debt of the nation, to provide for known liabilities and for others with which we are threatened, Congress is confronted with a gigantic problem. Prof. Robert Murray Haig discusses the conditions which make a new revenue act imperative, the obstacles to be confronted in the work and the possible solutions. Prof. Haig's survey of the situation is complete and valuable.

ing circumstances. One is that we owe the debt entirely to ourselves, so that its payment will be of the nature of an adjustment within the family. The other is that, if all of our Allies' promises-to-pay prove to be substantial, we shall have their assistance in paying off our debt to the extent of about nine and one-half billions of dollars (\$9,580,000,000).

Both circumstances have a bearing on the question as to the sums we should attempt to raise by taxation. Thus taxing a man to support more or less unproductive governmental activities is one thing and taxing the same man the same amount to pay off the Liberty bond

have serious doubts concerning the advisability from the point of view of our own interests of insisting upon payment. This is not the place for the discussion of this great problem whose ramifications extend far afield into questions of our future policy with regard to foreign relations and foreign trade and of our moral responsibility to our Allies. It is clear, however, that the prospect for collection of our foreign loans is a factor to be carefully evaluated and taken into account by Congress when formulating the new revenue act.

Notes Falling Due

More immediate in its importance than the size of our debt or of our foreign loans, however, is the fact that more than five billions of Victory Notes and War Savings Certificates (\$4,250,000,000 in notes and \$800,000,000 in certificates) fall due year after next. Plans for caring for this contingency must be made without delay. If we intend to retire these securities we should be accumulating the funds by levying the necessary taxes. The maturities of the various issues of war bonds were purposely arranged so as to facilitate their payment gradually over what was thought to be a reasonable period. Whether the maturities are proving to be unreasonably short is a question which Congress must now decide in the light of the possibilities of securing revenue in the next two years and the probable conditions upon which the securities may be refunded when they fall due.

A substantial portion of the total debt is in the form of unmatured Treasury loan and tax certificates. This "floating debt" amounted to nearly two and a half billions of dollars on February 28, 1921 (\$2,484,032,000). This increases the total debt maturities which must be cared for within the next two years to the staggering total of seven and a half billions. Largely because of expenses connected with the railroad guarantee, the expenditures of the government have continued too large to make possible any material reduction of this floating indebtedness during the fiscal year. Sufficient revenues should be provided to pay it off. If this involves too large an addition to the sum to

be raised by taxation it must be refunded into some less expensive and more satisfactory form.

So much for the principal of the public debt and the problem presented by its amortization. With respect to the interest on the obligations which go to make up so large a part of the government's expenditures, it should be recognized that for the present this item is, of course, fixed in amount, but the future of the charge will depend both on the amortization policy which is adopted and the amount of interest which will be paid us on our loans to our Allies.

With the entire debt service adequately covered, there remains the question of provision for the general operation of the government. Secretary of the Treasury Mellon has recently announced that the "ordinary disbursements" of the Treasury, which include interest, are still proceeding at the rate of five billion dollars per year—\$3,247,411,141.36 was spent during the first eight months of the current fiscal year. The distribution of this sum shows that "about \$750,000,000 have represented expenditures of the War Department, about \$450,000,000 expenditures of the Navy Department, about \$475,000,000 payments to the railroads under the Transportation Act, 1920, and about \$550,000,000 payments of interest on the public debt—a total of about \$2,225,000,000 under these four main headings"*

Next Year's Taxes

These expenditures, large as they are, represent a decrease from the preceding year of nearly one and one-quarter billions. However, it is apparent that, even though further substantial economies be effected in the cost of administering the government, the items of interest and expenses of the military establishment are likely to continue at a rate which will make the accumulation of a large sum to amortize the debt exceedingly difficult. In addition to all of the elements mentioned above, Congress has under consideration a soldiers' bonus bill, which will involve total expenditures estimated to be as much as two billion dollars, not all of which need fall in one year's

*Letter of the Secretary, dated March 9, 1921.

budget, however. Certainly, with the country in the midst of a business depression which gives no immediate prospect of early departure, Congress may well be perplexed as to where it may turn to find the money for the expenditures which seem necessary or desirable.

Estimates of the amount which must be raised by taxes next year vary from four to five millions, depending upon the estimator's opinion as to what is essential. Secretary Weeks recently startled a Pittsburgh audience by stating that to care for running expenses and refunding operations the government will require about seventeen billions in the next thirty months.

A Complete Change

The war witnessed a complete change in the character of our Federal taxes. Indirect taxes, the traditional bulwark of the Treasury, have diminished in relative importance until in 1920 nearly three-fourths (73.2 per cent.) of the total receipts of the government came from direct taxes or incomes and profits alone. These two taxes yielded that year no less than \$3,750,000,000, about two billions of that coming from the income tax. But not only has the profits tax become unpopular so that there is an overwhelming demand for its repeal, but its productiveness has diminished in recent months with the decline of business activity. Whatever the attractions of the excess profits tax may be, stability and uniformity of yield are not to be found among them. It has been fully recognized that in depending so largely upon direct taxes, upon incomes and profits, the Federal financial system is decidedly unstable. Net income is certainly a less ephemeral item than excessive profits, but even in the case of the income tax a considerable diminution of yield must be anticipated.

Whatever changes are made in the system by a new revenue act, the income tax must continue to be the main dependence of the Federal revenue system, but the income tax stands in need of several amendments, the net effect of which may be the diminution of its yield. First among these amendments should be placed a provision which will permit the taxpayer who has suffered

a net loss in a given year to apply that loss against incomes earned by him another year. At the present time each accounting period is almost completely "insulated" from every other accounting period. Much of the distress among payers of income and profit taxes would be eliminated by an arrangement which would take a less narrow view of the accounting period. The end may be achieved by taxing a man in a given year on an average of the incomes of several preceding years or by the method of permitting him to charge a net loss sustained in a given year back against profit of previous years or forward against profit of succeeding years. The distressing experiences of many American business men who have been asked to pay large taxes on profits which were transformed into losses in a succeeding accounting period could be avoided by devices such as these, both of which are used in Great Britain.

Are British Rates as High?

In the stress of our war financing the surtaxes applied to incomes received by individuals were forced to levels never before attained in the history of taxation. The British insist that their rates are actually as high as ours because of the fact that they have no incomes there which would fall within our highest surtax brackets. These very high rates were established despite the misgivings of many students of the problem, and there is serious doubt as to whether it is practicable to apply this successfully in times of peace. The problem is rendered particularly acute by the fact that large quantities of tax-exempt securities exist which can be purchased by large taxpayers at prices which make them attractive investments. The quantity of such securities is so large that their market price is not determined by those in the highest surtax groups, but by those who are in receipt of only moderately high incomes. The exemption from taxation of the income from these securities threatens seriously the very existence of successful progressive income taxation. Unless these exemptions can be brought under control and limited much more strictly than is now the case it may prove necessary to

reduce the surtax rates to a very low level. The real cure of this situation, however, is not the abandonment of the principle of progression. It is rather the adoption of the proposed Constitutional amendment being considered by Congress which would bring all the interest on state and municipal securities within the scope of the Federal income tax.

Three Years Behind

The success of the Federal income tax is threatened from another direction also. The persistence of the necessity for levying heavy income taxes long after the war spirit has disappeared is making the administration of the tax very difficult. As everyone knows, the administrative force has never been adequate to accomplish the task of auditing the tax returns promptly and efficiently. Today it is fully three years behind in its work. A complicated tax of this character demands the very highest order of administrative ability, and if we are ever to have a satisfactory income tax we must evolve some plan which will result in building up a permanent force of civil servants which will be large enough and capable enough to do this difficult work well. The administration of the tax must ultimately be decentralized. There should be a Federal tax office in charge of a skilled and responsible force readily available to every taxpayer. It should be possible for the taxpayer to make up his returns in conference with this force, confident that his interests, as well as the government's, will be carefully safeguarded. He should be able to secure immediate decisions on doubtful points and should have an appeal to conveniently located local tribunals operating in the spirit of arbitration in cases of disagreement with the assessors. Accuracy, certainty, prompt determination of liability and sufficient elasticity to care for unusual cases must be provided if the income tax is not to be overwhelmed by the anger of thousands of irritated taxpayers. The simple fact is that if we want equitable and delicately apportioned taxation we must make up our minds to build up a good Civil Service. We must realize that refine-

ments mean complications and that no tax can be better than its administration.

The abolition of the excess profits tax, even though accompanied by a considerable scaling down of the higher individual surtax rates, will make it necessary to adopt some plan for equalizing the advantage which the corporation possesses in the privilege of holding its profits undistributed and subject only to the flat corporation tax rate. At the present time this privilege is offset by the fact that the excess profits tax applies only to corporations. Its abolition, unaccompanied by any action with reference to undistributed surplus, would result in a serious disadvantage to business operating under the partnership or individual forms and would probably force incorporation upon many businesses. The tax system should not discriminate between the different forms of business enterprise so as to make one form relatively more attractive than another.

Three Possible Solutions

There are at least three possible ways of meeting this situation, but none of them, unfortunately, is both attractive and practicable. Under the first possible plan, the progressive rates might conceivably be entirely abandoned and the income tax be levied at a flat uniform rate. Even if the Treasury could afford the loss of revenue which would arise from this course, the result would be entirely out of accord with modern ideas of equity. To be just, a heavy income tax must be progressive. A second way out of the difficulty would be to exempt from the progressive rates all savings, corporate or otherwise. But there would be serious practical difficulties in the way of this course, even if it were possible to meet the theoretical objections which would be urged on the ground that this would have the general effect of subsidizing "unearned" income instead of taxing it more heavily than earned income. There would seem to be little ground for relieving a rich man from the tax on such portion of his income as he is fortunate enough to be in a position to reinvest.

This leaves the final plan of evolving an arrangement whereby the shareholders of the corporation will be taxed on their share of the income which the company reinvests in the business. This plan is open to serious objections, some of them legal in their nature, some administrative and some of them economic, the last resting mainly on the contention that such a tax would discourage business development. But on the whole the solution of the problem is to be found in some modification of this third plan. In the opinion of the writer the soundest course would be to adopt the nearest practicable approximation to the present method of taxing personal service corporations.

Excess Profits Tax Repeal

It has been assumed in this discussion that the excess profits tax will be repealed forthwith. Such action seems certain. Even those who believe the tax to have virtues worthy of preservation in some form are so impressed with the inequities involved in our inadequate and inelastic administration that they are apparently resigned to its disappearance. But, nevertheless, something depends upon the alternatives which are proposed. The labor and farming interests may yet react so violently against the suggested alternatives (for the most part consumption taxes in some form) that Congress may be forced to adopt a new business tax, probably based on all profits without tests of excessiveness or without progression in rates. Certainly tax revision at this stage cannot restrict itself to eliminating objectionable taxes like the excess profits tax and refining other taxes like the income tax at the cost of a great reduction in revenue. The need for revenue is too imperative.

Apparently the income tax, even with the modifications suggested above, can be counted on to produce at least one and a half billions. Not much can be expected from the tariff. Congressman Good, chairman of the Appropriations Committee, estimates probable re-

ceipts from a revised tariff at only 400 millions, as compared with \$323,536,559.25 last year. He also estimates that one billion will be forthcoming from postal revenues and miscellaneous receipts, including those from the sale of surplus government property. Thus to balance even a four-billion-dollar budget, which would probably provide practically nothing for amortization or a soldiers' bonus, it would be necessary to collect something over one billion dollars by miscellaneous taxes. At present we are raising considerably more than this from the taxes which fall under this head, but their productivity is certain to diminish and several of them, especially the taxes on transportation, are slated for repeal. Consequently, if we are to settle down to the task of paying off the debt or if we are to provide for a soldiers' bonus new sources of revenue must be provided.

The chief option seems to lie between some form of business profits tax and some form of a general sales tax. That is, a simple profits tax might be established in addition to various rearranged miscellaneous taxes on specific articles of consumption or a sales tax might be worked out which would make it possible to drop most of the present miscellaneous taxes. Property taxes are, of course, precluded by constitutional limitations.

What the final decision will be cannot be foretold. Certainly the sales tax, under critical analysis, does not "prove up" so attractively as its vigorous proponents would have us believe. A general turnover would involve a tremendous administrative task. It might have serious effects upon business itself as a whole, and would certainly discriminate between businesses in a more or less important manner. Nothing can be said in favor of it from the point of view of equity in the distribution of the tax burden except that it would spread the burden over a wider field than is now directly affected. It is not easy to be enthusiastic about the equity of a tax which, so far as it would be shifted, would result in a heavier tax on the man who must spend his

entire income, because perhaps he has a large family, than upon the man with the same income who is in a position to save a part of it. If we want a soldiers' bonus it may be necessary to have such a tax. Certainly the bonus would be a graceful act and one which would be appreciated by men to whom the country owes a debt which cannot be calculated. It would also be very advantageous to pay off the floating debt and begin to amortize the bonded debt. We must balance the propositions. Certainly, however, we should not adopt the sales tax under the impression that it is an elegant bit of fiscal machinery. It can be considered such only by a man whose judgment has been affected by some such element as a great eagerness to be relieved of his excess profits taxes or high income surtaxes.

Action Is Essential

One thing everyone should insist upon, however. The Revenue Act of 1921 should be passed in 1921 and not in 1922. The Revenue Act of 1918 was finally approved February 24, 1919, nearly fourteen months after the beginning of the year to which it applied. The people will insist that the administration face squarely the very serious and embarrassing problem briefly outlined above and give a decision promptly and in good season. Delay and vacillation will prove to be a costly policy. Uncertainty as to the taxes which will apply to transactions entered into this year will be a factor which will operate to retard business recovery. It is far better that the decision, whatever it be, be made promptly. Time in this case will aggravate and not cure.

Death of Luther Drake

Luther Drake, president of the Merchants National Bank, Omaha, Neb., died Tuesday, March 15. He was formerly a valued member of the Executive Council of the American Bankers Association and of the Currency Commission.

There Are Other Factors Yonder

(Third Article)

By WILLIAM C. REDFIELD

President American Manufacturers Export Association

TWO distinct conditions affecting our export trade present serious problems to our bankers, manufacturers and agriculturists. One of these is so pressing and immediate as for the time almost to obscure the other, but the future problem is the permanent one and upon our treatment of it will depend the place we shall hold in the world's markets. This in turn will answer the question whether our industries, mines and agriculture are hereafter to have a steady pulse or are to be spasmodic and perhaps hysterical in their operations.

In the last article we pointed out the serious present crisis in our foreign commerce and how it reacts to increase depression and unemployment at home. The situation has not improved. Today large orders for such varied commodities as machinery, tobacco, cotton, automobile trucks, malt and many more are withheld from shipment—not, indeed, because the foreign buyers lack ultimate and assured means for payment, but for the lack of credit machinery suited to the present emergency. For a like reason American goods are “backed up” in the seaports of the world and the disposal or return of them presents great difficulties and involves heavy losses.

We must pass, however, to consider the future and permanent phase of our foreign commerce. Let us, look squarely at certain known conditions which will force themselves upon our vision when the present emergency shall have passed. Suppose, therefore, a few years to have gone by and through the processes of financial convalescence a condition which somewhat approaches normal to have been restored. What shall we see then? We are speaking now of present facts which under future conditions will necessarily become more clear than they are today.

One great world-wide controlling fact we shall then visualize is the ownership by our greatest competi-

tor of productive enterprises all over the world, backed by a thorough and far-reaching financial organization of which we now possess no fellow. At both ends, therefore, of the export line, so to speak, Great Britain is entrenched on the competitive field. Her forward trenches therein are held by British-owned concerns of many kinds which occupy the areas in which we must compete. Her reserves, which are financing concerns equipped with ample means and highly trained staffs, are in constant touch with all the field of action and are intimately familiar alike with its strategy and tactics. These are serious conditions for the American exporter, for they mean that in a very large portion of the going en-

or at the center of ownership is adverse to us. They mean the presence of British working standards, which are often unlike American standards and which are hard to displace.

This situation, indeed, is so serious that to those who grasp it the fact that American industries have been able in past years to make their way in the face of it to the extent that they have is an amazing example of American competing power. The courage, skill and energy with which these results have been wrought have properly brought large rewards to those who have shown these qualities.

Nevertheless the fact remains that we are strong at but one end of the line and our competitor is strong at both ends of it and that we must find a market for many of our goods with concerns that are owned by that same competitor. Obviously, so long as these conditions exist we are at a disadvantage. Consider what the situation would be if an American manufacturer should in the domestic field have to send his salesman for orders to buyers who in a large measure were controlled by his competitor. That is often the effective fact abroad. This situation tends to become worse rather than better so far as we are concerned, for necessarily Great Britain as her earnings accumulate invests them in other going enterprises. Her whole commercial structure rests upon such investments and her great foreign financing houses provide the necessary information and organizations for making them with safety. She knows the game and has long played it and we are but learning it and have played it but little on a large scale.

Yet every thoughtful man among us knows that our prosperity depends upon our selling in the foreign field. Our mines, our mills, our farms have their prosperity involved in our ability to sell abroad, yes, even to sell to those who are owned by our competitors and pre-

Basis of Our Prosperity

“Every thoughtful man among us knows that our prosperity depends upon our selling in the foreign field. Our mines, our mills, our farms have their prosperity involved in our ability to sell abroad, yes, even to sell to those who are owned by our competitors and prefer by every instinct to buy of them.

* * * We must put going American enterprises about the world as our competitor puts British ones. We must create in our behalf the atmosphere which now exists in his behalf.”

terprises of the world the fact of what we may call adverse ownership creates influences operating strongly against us and in favor of our competitor. No one knows better than the experienced export salesman how serious these conditions are. They mean that our competitor has and we have not an existing good will all over the world; that the preference which normally leads men to buy “at home” or where they are financed

fer by every instinct to buy of them. That is our condition unless there is something we can do to alter it. What is there we can do? We can and we must take a leaf out of our competitors' book. We must put going American enterprises about the world as our competitor puts British ones. We must create in our behalf the atmosphere which now exists in his behalf. We must provide that American salesmen in foreign lands shall meet men who know the American business language, use American standards, understand American methods and by preference buy American goods because the business which they run is American owned. We must, in short, get a large element of good will throughout the world turned toward us instead of against us. But one unfamiliar with foreign conditions says, "Price controls, not nationality; the orders go to the lowest bidder." Not so fast, friend. There are other factors yonder. A mill or mine using standard British pipe, for example, cannot readily buy standard American pipe, for threads and thicknesses vary. The

two, like oil and water, do not easily mix.

Here then are two great problems presented by our foreign and domestic trade as well, for these two are one and cannot be separated, and the prosperity of each is inextricably tied up in the prosperity of the other. It has long been so. It is much more so now than ever before.

It may be the normal result of evolution, but to the writer it seems more like a vision little short of financial genius which has brought into being the Foreign Trade Financing Corporation at this time. Not only so, but which has planned its operations in a way which is as extraordinary as it is helpful. It provides the means of dealing both with the present and the future problems that have been sketched. It can give, as no other organization can, the long credits necessary for the solution of the present difficulties and can refund in one or another form existing "frozen credits," and so provide the element of time necessary for working out their payment. Its very

presence as a working force must favorably affect both the domestic and foreign credit situation, because by dealing constructively with the latter it reacts favorably upon the former. Little by little this present pressing duty must merge into the larger and permanent one, and in that greater field the corporation is equally potent. Through it, without the necessity of investors buying unfamiliar foreign securities, American capital can be fruitfully placed wherever throughout the world opportunity may offer, and so the trenches of American trade can be placed in the field of action, backed by powerful reserves at home, guided by a personnel familiar with both the strategic and tactical features of the friendly contest.

With this great organization functioning, a bright prospect opens to American industry and finance. Without it or something which does its needed work effectively, it is not easy to see any method of quickly meeting the pressing present problems or any effective means of solving the future ones.

The International Acceptance Bank

THE new International Acceptance Bank, formed primarily for the financing of America's foreign trade, this month opens for business at 31 Pine Street, New York City.

The International Acceptance Bank has been organized as a New York State corporation and will be under the supervision of the Federal Reserve Board. Its capital, fully subscribed, consists of common stock, \$10,000,000; special stock, \$250,000; surplus, \$5,000,000.

The International Acceptance Bank, Inc., does not compete with the Foreign Trade Finance Corporation now being organized. The latter, by the issue of debentures, cannot, under the provisions of the Federal Reserve Board and the Edge Act, transact a general acceptance business. The International Acceptance Bank grants acceptance and cannot issue debentures.

Instead of opening foreign branches, the International Acceptance Bank has secured the close association of some of the oldest and best-known banking firms in Europe.

Paul M. Warburg, who has headed the group prominent in the formation of the bank, is chairman of the board of directors. The other officers are: Daniel G. Wing, vice-chairman; F. Abbot

Goodhue, president; P. J. Vogel, vice-president; E. W. Davenport, vice-president; Fletcher L. Gill, secretary and treasurer.

The full board of directors is composed of:

Newcomb Carlton, president Western Union Telegraph Co., New York; Emory W. Clark, president First & Old Detroit National Bank, Detroit; Walter E. Frew, president Corn Exchange Bank, New York; F. H. Goff, president Cleveland Trust Co., Cleveland; F. Abbot Goodhue, president; Robert F. Herrick, Herrick, Smith, Donald & Farley, Boston; J. R. McAllister, president Franklin National Bank, Philadelphia; Charles B. Seger, president United States Rubber Co., New York; Lawrence H. Shearman, W. R. Grace & Co., New York; William Skinner, William Skinner & Sons, New York; H. C. Sonne, Huth & Co., New York; Philip Stockton, president Old Colony Trust Co., Boston; Felix M. Warburg, Kuhn, Loeb & Co., New York; Paul M. Warburg; Thos. H. West, Jr., president Rhode Island Hospital Trust Co., Providence; Daniel G. Wing, president First National Bank of Boston, Boston.

Among the stockholding banks and firms in the United States are:

First National Bank, Birmingham, Ala.; First National Bank of Boston, Boston; Old Colony Trust Company, Boston; First National Bank of Chicago, Chicago; Cleveland Trust Company, Cleveland; First & Old Detroit National Bank, Detroit, Mich.; Fidelity National Bank & Trust Co., Kansas City, Mo.; First National Bank, Los Angeles, Cal.; Kuhn, Loeb & Company, New York; Huth & Company, New York; Corn Exchange Bank, New York; Liberty Bank of New York, New York; Franklin National Bank, Philadelphia, Pa.; First National Bank of Portland, Portland, Ore.; Rhode Island Hospital Trust Co., Providence, R. I.; Wells Fargo Nevada National Bank, San Francisco, Cal.; Seattle National Bank, Seattle, Wash.; First National Bank, St. Louis, Mo.

Among the stockholding banks and firms in Europe are:

Nederlandsche Handel-Maatschappij, Amsterdam; Hope & Company, Amsterdam; Swiss Bank Corporation, Basle; N. M. Rothschild & Sons, London; National Provincial & Union Bank of England, Ltd., London; Aktiebolaget Svenska Handelsbanken, Stockholm; Skandinaviska Kredit Aktiebolaget, Stockholm, Crédit Suisse, Zurich.

President Drum's Business Survey

IN line with the American Bankers Association's policy of serving in every possible way the public as well as its members, John S. Drum, President of the Association, is making, in cooperation with the members of the Executive Council, members of various committees of the Association, the secretaries of the state bankers associations and others, a comprehensive survey of economic conditions throughout the United States.

The plan is to embody the combined judgment of members of the Council and others best qualified to observe and to understand economic conditions and tendencies in a report that will be submitted to the Council at its Spring Meeting and then, with the approval of the Council, may be given the widest possible publicity as an expression of the opinion of the American Bankers Association.

It is believed that the plan of the survey, as outlined in questionnaires that have been sent to members of the Council and to others, differs from other surveys that have been made from time to time in that it calls for an expression of opinion rather than for data of a statistical nature. It is realized that bankers are perhaps better qualified than others to observe the nation's economic trend, and it is felt that the American Bankers Association can perform a public service of great value by giving to the people generally the benefit of its judgment as translated through the medium of this survey.

The cooperation of all members of the Association, whether members of the Executive Council or not, is requested in order that the survey may be as comprehensive as possible. The subjects touched upon in the questionnaires are given here, and full discussion of them by all members of the Association is invited by Mr. Drum. Communications should be addressed to him at 464 California Street, San Francisco, Cal.

The questionnaire is in five parts—financial, commercial, industrial, agricultural and building. The questions are as follows:

FINANCIAL—(1) Is sentiment in your state in favor of or opposed to the repeal of the excess profits tax? What substitute is suggested? (2) What is the sentiment with regard to the sales tax? (3) What is the sentiment with respect to the cancellation of the debts of foreign governments to the United States? What effects would cancellation have? (4) Will interest rates rise, fall or remain stationary during 1921? What factors will contribute to cause the condition you expect? (5) What classes of corporations find the readiest market for securities in your state? (6) To what extent will the recent decision of the Supreme Court holding legal Farm Loan bonds relieve the credit situation in your state?

COMMERCIAL—(7) Is the situation with respect to cancellation of contracts because of falling prices serious in your state? What is its effect? (8) Are manufacturers and exporters relaxing their efforts to sell goods in foreign countries? Why? (9) Have any considerable quantities of excess manufactured goods accumulated in storage? If so, what kinds of goods are stored? (10) What factors, in your opinion, are working toward a stabilization of prices? (11) What factors are working against stabilization of prices? (12) To what extent may stabilization of prices be expected in 1921? (13) To what extent are manufacturers and retailers writing off in their inventories losses due to the fall of prices? (14) How do retailers in your district regard the prospects for spring and summer trade? (15) In your opinion how far will commodity prices return toward the price standard of 1914? (16) Are retailers disposed to maintain prices at former levels, or are they selling on the basis of present costs? (17) Are retailers buying heavily or sparingly? (18) Are manufacturers carrying large amounts of customers' paper? (19) Are collections good or slow? (20) Are transportation facilities adequate to the requirements of industry? (21) How do transportation conditions compare with those of a year ago?

INDUSTRIAL—(22) Have industrial plants in your state cut down production to any extent or shut down altogether? What are the causes, and which industries are affected most? (23) What efforts have industrial establishments made to cut down costs of production? What lines have these efforts taken? (24) Is the efficiency of labor considered greater or less than a year ago? (25) Are raw materials available in sufficient quantities to meet the needs of manufacturers?

AGRICULTURAL—(26) It has been stated that many farmers that bought land at prices based on the value of crops during and shortly after the war have been forced to give up their land or not to cultivate because present prices of farm products make it impossible to return interest on the investment or to farm at a profit. To what extent is this true in your state? (27) Is ample credit available in your state for the needs of farmers? (28) Is sentiment in your state in favor of or opposed to agricultural cooperative movements?

BUILDING—(29) Will building operations in your state be greater or less in 1921 than in 1920? (30) What class of buildings will be constructed in greatest number—industrial structures, commercial buildings or dwellings?

Postal Savings in China

A recent news item contains the following:

"Chinese postal savings banks were opened in eleven district head offices on July 1, 1919, and on the following October fifteen branch banks were opened in sixty-nine subsidiary post-offices in these districts. In the first half year total deposits totaled \$154,051 and withdrawals \$46,535. Transactions numbered 6,860. The appearance of the report in December, 1920, is in accordance with leisurely official ways in China. No figures have been compiled for 1920."



On the Links at Pinehurst.

Photo by Underwood & Underwood, New York.

Come on to Pinehurst!

ALARGE attendance of members, committeemen and their families is expected at the Spring Meeting of the Executive Council of the American Bankers Association, which will be held May 2 to 6, at Pinehurst, N. C.

The program indicates very interesting sessions. Monday and Tuesday forenoons of May 2 and 3 meetings of the various committees will be held. Wednesday, Thursday and Friday, the 4th, 5th and 6th, the Executive Council will hold its sessions.

Throughout the week the afternoons have been left open that those in attendance may participate in the various attractive entertainments to be provided, such as putting contests for ladies and a golf tournament. There will be suitable prizes for the winners of each event. Other features of entertainment will be a racing matinee, the usual attractive family dinner, tea and dancing at the clubhouse in the evening and moving pictures.

The Golf Committee consists of Craig B. Hazlewood, chairman; J. Fletcher Farrell, vice-chairman; Charles H. Sabin, Harry J. Haas, John G. Lonsdale and H. R. Reed.

The Hotel Carolina, which will be the headquarters for the meeting, quotes the following rates on the American plan:

Single room with bath, one person.....	\$10.50
Single room without bath, one person....	7.00
Double room with bath, two people.....	16.00
Double room without bath, two people....	12.00

Trains from New York

Arrangements have been made for special Pullman and compartment cars from the Pennsylvania station in New York City, for the exclusive use of those attending the Spring Meeting. The train will leave from the Pennsylvania station, New York City, Saturday, April 30, 1921, at 2.05 P. M., arriving at Pinehurst 8 A. M., May 1. Those attending from Newark will board the train at Market Street station at 2.27 P. M.; from North Philadelphia at 4.03 P. M.; from West Philadelphia at 4.17 P. M.; from Baltimore, Union station, 6.30 P. M.; from Washington 8 P. M.; from Richmond 11.40 P. M.

PASSAGE RATES (INCLUDING 8 PER CENT. WAR TAX)

	One Way	Round Trip
New York.....	\$22.49	\$40.79
Philadelphia	18.99	34.50
Baltimore	15.26	27.77
Washington	13.71	24.97
Richmond	9.17	15.48

PULLMAN RATES (INCLUDING 8 PER CENT. WAR TAX)

	Lower	Upper	Compart-ment	Drawing Room
New York.....	\$6.89	\$5.51	\$19.44	\$24.30
West Philadelphia 6.08	4.86	17.01	22.68	
Baltimore	4.86	3.89	13.77	17.82
Washington	4.05	3.24	11.34	14.58
Richmond	4.05	3.24	11.34	14.58

A minimum of two passage tickets is required for use of com-

partment or drawing-room. The round-trip tickets will have a final limit to May 31. In order to expedite matters, checks should be forwarded direct to William Pedrick, Jr., division passenger agent, Pennsylvania Railroad, 263 Fifth Avenue, New York, N. Y., covering the accommodations required. He will send the necessary transportation and Pullman tickets in due time. Promptness in this matter is necessary, as it is desired to have all reservations made very soon in order that the necessary special equipment may be secured.

From Chicago and St. Louis

The Springtonic Special will leave Chicago and St. Louis for Pinehurst and make short stopovers at special points of interest, so as to arrive at Pinehurst early Sunday morning, May 1. Reservations may be made from Chicago through Mr. William G. Edens, vice-president Central Trust Company, or any other banker in Chicago; and for those leaving St. Louis, Mr. Ray F. McNally, vice-president National Bank of Commerce of St. Louis, or any banker in St. Louis may be addressed.

A meeting of the Public Relations Commission will be held at Pinehurst on Tuesday morning, May 3.

Should Cotton Acreage Be Decreased?

By CHAS. de B. CLAIBORNE

Vice-President Whitney Central National Bank, New Orleans, La.

NEEDLESS to say, so extensive an industry as cotton can only be discussed in a general way in the short space allotted to an article of this kind. Nevertheless, a consideration of one of its many relations to commerce through which it bears directly on domestic and even international banking, it seems to me, deserves the attention of the American bankers at present. The production of American cotton in the United States for the year 1920 is approximately 13 million bales, which at the present scale of prices would have a value of, say, eight hundred million dollars. Based on the values of July option, 1920, just previous to the harvesting of this crop, that same number of bales had a value of two billion three hundred million dollars (\$2,300,000,000), or a shrinkage in anticipated value of one billion five hundred million dollars (\$1,500,000,000). These statistics are given merely to show the importance of cotton as a commercial asset of this country, and therefore how necessary it is that the industry be properly handled and the financing done along intelligent, broad-visioned lines.

Whether this extraordinary depreciation may be chiefly attributed to the demoralization of European exchanges or to the wide-spread wave of economy which suddenly seized upon the people, accentuated by an apparently determined effort on the part of the government to force deflation, it is difficult to say, but the fact remains that the decline in values has taken place, and that not only did the producer fail to realize his anticipated profit, but the actual cost of production was far from returned by the present prevailing prices, forcing unavoidable losses upon all classes and all types of institutions, with consequent lowering of the purchasing power of that part of the United States known as the "cotton states."

The very basis of commerce is exchange. If every man produced from day to day just so much as was needed for his day's consumption there would, of course, be

nothing to exchange; in other words, there would be no commerce.

The agency devised by modern civilization to take the place of the primitive exchange is represented by purchasing power, the ability to buy. Increase or decrease this power and by just so much does business prosper or suffer. "No man will voluntarily sow if he cannot reap." It therefore becomes our duty as bankers to exert every sound influence that the farming interests may be properly advised.

The suggestion that the cotton acreage be decreased is not urged with any desire to inflate the price of such a world-wide necessity. It

The Unusable Surplus

"Any article, no matter how inherently valuable, for which no adequate demand exists may be considered, to the extent of the unusable surplus, a worthless one, and it should be difficult to persuade the intelligent cotton planter or his financial backer that it would be advisable to continue to bend his unrewarded efforts toward the production of such an article until such a time as demand and supply come once more into approximate relation."

is very necessary that the mind of the people be disabused of this prevailing error, as it is important to form a correct judgment as to why such a course is essential.

With the production of American cotton, 13 millions for the season 1920-1921 and the very large carry-over from August 1, 1920, the supply could be figured conservatively at 18 millions of bales with an estimated consumption of 11 millions. It is therefore evident that with this prospective carry-over of seven millions and a normal production of say 13 millions for the next season, there would result a supply of 20 million bales for 1921-22 against a probable demand of 12 millions, admitting improved conditions.

This would necessarily depress prices below the cost of production under the most favorable conditions. It would mean that the cotton farmer would be called upon to lend his time and capital and every effort with the practical certainty of adding to heavy losses already incurred.

Therefore it is economically unsound to urge production, whether it be from the soil or factory, when there is already ample supply to satisfy the demand. The country, in fact the world, is at present in need of every productive effort, but along careful, intelligent lines. Overproduction is wasted effort with consequent dire results.

"The tiller of a hundred fields can eat no more, the proprietor of a cloth factory can wear no more and the owner of a coal mine can sit by no hotter a fire than his neighbors." The minutest excess or deficiency in the supply of any article of human want produces a proportionate effect on the exchange or buying power of all other articles. If, as a consequence of ignorance or lack of forethought or ill advice, this inviolate economic principle of supply and demand be made light of; if we fail to follow that lamp by which our feet have been guided for years, we all become sufferers in a common cause.

The full economic effect of an ill-advised reduction in acreage has not been overlooked by those whose duty it is to advise the cotton producer of the South. It is folly to presume or to conclude that only the interest of the cotton farmer is at stake in this problem. The banker realizes that capital is the mainspring of the business operations of civilized society and functions properly only when employed to yield a profit. The inexorable law of supply and demand is at once and alone the necessity for acreage reduction. The plea for reduction is not made with any idea of bringing about inflation. Exaggerated and even false views prevail on this subject and may do infinite mischief. Ample produc-



Photo by Brown Bros., New York

Creating Wealth or Wasting Land and Labor?

tion we know promotes public and private interests, gives employment to labor, adds to incomes, contributes towards the support of the government, builds cities, helps to clear the wilderness, pays freight; but to bring about all of these desirable conditions and in order that the public may be benefited it is essential that the individual be benefited—that is, produce profitably.

It has been fully considered that ample production is a public gain and gives to business greater activity by bringing into action more persons with a greater amount and variety of talent; but in the judgment of those who are closest to the situation, upon whom rests the burden of solution of this problem, and who should therefore be entitled to a voice, no good end can be served by the indefinite piling up of a surplus of cotton or of any commodity for which no demand exists. The South has already passed through more than one notable era of five-cent cotton and the disastrous effects in the form of mortgages, impoverished land and stock, tumble-down schools, etc., are still fresh in the minds of the people. No sane man, farmer or banker, contends that land or labor should lie idle, but surely the producer will be guilty of no wrong-doing if he elects to divert a greater proportion of his energy toward the production of other crops as essential in their way as cotton and for which

he may find a market that will allow him a fair return on his investment. Any article, no matter how inherently valuable, for which no adequate demand exists may be considered, to the extent of the unusable surplus, a worthless one, and it should be difficult to persuade the intelligent cotton planter or his financial backer that it would be advisable to continue to bend his unrewarded efforts toward the production of such an article until such time as supply and demand come once more into approximate relation.

We live at a time when the commerce of the world seems to be touching a new era, when the energy of man is being tested to a point heretofore unconceived, and business is about to acquire activity beyond all previous example, and never before in history was there more need for broad-minded men of calm and sober judgment than today.

Let us hope that we are not to witness another "fool's paradise" such as we have had for the last few years. What we need is fewer soap-box orators, strict economy in the operation of Federal and state government, public improvements within our means, less government in business, a quicker and more businesslike solution of the important problems before our Federal legislators, less uneasiness about the effects of prohibition, a substantial

reduction of our present heavy burden of taxation, which is weighing down business and which is nothing short of the redistribution of wealth by means of taxation, and last but not least, the complete annihilation of all socialistic principles and tendencies so much in evidence of late.

The following figures show spinners' takings of cotton for a three-year period and production, consumption and export of cotton for a five-year period:

Spinners' Takings
(August 1 to March 4)

	This Year	Same Time Last Year	Same Time Year Before
North	1,059,000	2,169,000	1,586,000
South	2,025,000	2,997,000	3,091,000
Foreign ...	3,166,000	3,680,000	2,469,000
Total	6,250,000	8,846,000	7,146,000
	(To Mar. 4, 1921)		

World's Consumption of American Cotton

Season	Bales	Season	Bales
1914-15..	13,834,000	1917-18..	12,282,000
1915-16..	14,812,000	1918-19..	10,600,000
1916-17..	13,892,000	1919-20..	12,735,000

Exports of Cotton From All U. S. Ports

Season	Bales	Season	Bales
1914-15..	8,357,223	1917-18..	4,215,217
1915-16..	6,035,102	1918-19..	5,485,434
1916-17..	5,533,292	1919-20..	6,366,008

American Cotton Produced

Season	Bales	Season	Bales
1914-15..	15,108,011	1917-18..	11,906,973
1915-16..	12,938,256	1918-19..	11,639,653
1916-17..	12,940,934	1919-20..	12,443,180

Getting Ready for the Convention

THIS year's convention of the American Bankers Association will probably stand out in bold relief as one of the most important, most productive in helpfulness and incidentally one of the most enjoyable among the many annual meetings of the Association.

To begin with, this is a year which, from a financial point of view, has not been exceeded in a generation in the magnitude and the variety of problems confronting bankers and their customers. The standards and the precedents heretofore useful now have an impaired value in many cases because of conditions that are new in the history of the world. It follows, therefore, that this is a time when keen business men will embrace the opportunity offered by the annual convention to obtain a national view of business conditions presented at first hand and personally by experienced business counselors. It is a time when the addresses and reports of the prominent men who will participate in the program will have a new value, and the conferences will enable comparisons to be made in the methods of handling complex problems. This year's convention should be devoid of anything partaking of the nature of the perfunctory. Every session should, and undoubtedly will, be brimful of interest and of commercially valuable information. Always a business event of the greatest importance to the country, it is confidently believed that the October convention will be of paramount importance in clarifying public thought on leading problems and in helping individuals onward in the way of new and better efficiency in their official and community affairs.

This convention will undoubtedly be notable also by reason of the attendance it will attract because of its geographical location. Los Angeles, Calif., the convention city, will have a peculiar attraction in the month of October for bankers in all sections, but particularly east of the Mississippi, for Southern California has many charms peculiar to itself, and coming and going from the East, North, and even from the Northern Pacific cities, the



After the Convention see the Valley of the Yosemite

scenic attractions along the way are such that itineraries of commanding interest may easily be arranged. Already very many bankers and their families have marked the calendar for tours in which the convention city will be the main objective.

The Californian point of view of the convention is something unusual. The people of the Golden State are extremely proud of their commonwealth and of everything pertaining to it. They realize the importance of the annual convention of the bankers. Los Angeles is pleased over the opportunity to entertain it and the bankers and business men will be satisfied with nothing short of a program of entertainment which will compare extremely favorably with that of any other city which has ever had the privilege of being the convention city of this Association.

Mr. G. E. Bowerman, Executive Manager of the Association, spent several days in Los Angeles in February in conference with the bankers and business men relative to preliminary arrangements. He found all eager to do everything possible for the convenience, entertainment and pleasure of the delegates. Los Angeles proposes to make the convention an epoch in the history of the Association. A. J. Walters, president of the Citizens National Bank, presided at a luncheon given at the California Club by the Clearing House Association in honor of Mr. Bowerman, during which plans were informally discussed.

The sessions of the convention will be held in The Auditorium, which has a capacity of about 2,600 persons and which is particularly desirable because of its excellent acoustic properties. The convention headquarters will be at the Alexandria, the leading hotel. Arrangements were made whereby the hotels of the city will reserve for the benefit of the convention at least 2,500 rooms.

Among the many features of the entertainment proposed for the bankers and their guests was the suggestion to stage something novel and unique in the way of moving

pictures for the convention. The making of moving pictures, as everybody knows, is a real industry in Los Angeles, because all sorts of scenes or locations are to be had within a few hours of the studio. The delegates may have the novel pleasure of seeing a moving picture made, getting the thrills first-handed, and later seeing the story thrown upon the screen for their benefit. But the details of the entertainment are in the hands of a local committee which may be depended upon to discharge its self-appointed duty with rare success.

Within convenient reach of Los Angeles are many points and scenes of more than passing interest, such as the famous Mount Lowe, the old missions, the orange groves and numerous fine beaches along the coast. It is possible, too, that the plans at this date being discussed in Washington for the mobilization of a great fleet in the Pacific Ocean will have materialized by October 3, on which date the convention opens to continue a week.

Itineraries may be arranged so that going or returning from Los Angeles the tourists may take in the grove of big redwoods, the Yosemite Valley, the Grand Canyon of the Colorado and Zion National Park, the latter in southern Utah, besides innumerable other points of interest. Presenting, as it does, unusual opportunities both for business benefits and for recreation, the October convention is pretty sure to be embraced by a gathering of proportions never exceeded since the Association's members have met in annual conclave. Very favorable rates will be offered by the railroads.

As heretofore, the business sessions will be held mornings, leaving everyone free to devote himself to rest or recreation during the afternoon. There will be abundant opportunities for golf on splendid links.

The California Clearing House Association has appointed the following committees to take care of the various details of the convention:

EXECUTIVE—A. J. Walters, president Citizens National Bank and president Los Angeles Clearing House, Chairman; W. D. Longyear, vice-president Security Trust and Savings Bank; H. S. McKee, vice-president Merchants National Bank; F. W. Smith, vice-president

United States National Bank and secretary and manager Los Angeles Clearing House, Treasurer.

AMERICAN INSTITUTE OF BANKING—Geo. R. Kingdon, First National Bank, Chairman; Ernest Garrett, Farmers & Merchants National Bank.

AUTOMOBILE—Leo S. Chandler, vice-president California Bank, Chairman; Geo. M. Wallace, cashier Security Trust & Savings Bank.

CLEARING HOUSE SECTION—Henry M. Robinson, president First National Bank, Chairman; V. H. Rossetti, cashier Farmers & Merchants National Bank.

CONVENTION MEETING—J. A. Graves, president Farmers & Merchants National Bank, Chairman; Geo. A. J. Howard, vice-president California Bank.

ENTERTAINMENT—Motley H. Flint, vice-president Los Angeles Trust & Savings Bank, Chairman; W. D. Woolwine, vice-president Merchants National Bank; G. G. Greenwood, vice-president Security Trust & Savings Bank.

FINANCE AND AUDIT—O. M. Souden, president United States National Bank, Chairman; J. H. Ramboz, vice-president Merchants National Bank.

GOLF—J. A. H. Kerr, vice-president Security Trust & Savings Bank, Chairman; W. A. Bonyne, Jr., cashier Commercial National Bank.

HOTEL DAILY BULLETIN—W. T. S. Hammond, vice-president First National Bank, Chairman; H. D. Ivey, cashier Citizens National Bank.

HOTEL—H. F. Stewart, vice-president Farmers & Merchants National Bank, Chairman; W. W. Woods, vice-president First National Bank.

LADIES—R. I. Rogers, vice-president Merchants National Bank, Chairman; Mrs. J. F. Sartori; S. F. Zombro, vice-president Security Trust & Savings Bank.

MUSIC—W. A. Bonyne, Sr., president Commercial National Bank, Chairman; Jay Spence, vice-president Los Angeles Trust & Savings Bank.

PROGRAM AND BADGE—W. E. McVay, vice-president Guaranty Trust & Savings Bank, Chairman; Malcolm Crowe, vice-president Commercial National Bank.

PUBLICITY—Marco H. Hellman, vice-president Title Insurance & Trust Company, Chairman; W. R. Morehouse, cashier Guaranty Trust & Savings Bank.

NATIONAL BANK DIVISION—J. E. Fishburn, president Merchants National Bank and vice-president Los Angeles Clearing House, Chairman; F. H. Nichols, president Continental National Bank.

RECEPTION—John P. Burke, vice-president First National Bank, Chairman; Irving H. Hellman, vice-president Hellman Commercial Trust & Savings Bank; R. B. Hardacre, vice-president Security Trust & Savings Bank.

SAVINGS BANK DIVISION—Dr. M. N. Avery, president Guaranty Trust & Savings Bank, Chairman; Charles H. Toll, vice-president Security Trust & Savings Bank.

STATE BANK DIVISION—A. M. Chaffey, president California Bank, Chairman; Ben R. Meyer, president Union Bank & Trust Company.

SPEAKERS—Orra E. Monnette, president Citizens Trust & Savings Bank,

Chairman; A. O. Martin, vice-president First National Bank.

TRANSPORTATION—W. J. Doran, vice-president Citizens National Bank, Chairman; J. T. Cooper, assistant secretary Security Trust & Savings Bank.

TRUST COMPANY DIVISION—J. F. Sartori, president Security Trust & Savings Bank, Chairman; W. R. Hervey, vice-president Los Angeles Trust & Savings Bank.

Hotel reservations should be made through the Committee on Hotels, in care of the Los Angeles Clearing House. The present date is none too early to make known the requirements of any person or party.

Why Certainly!

After reading the announcement of a trust company setting forth the many services it is prepared to render, someone wrote in humorously inquiring whether or not the company took care of babies. And this is the answer the inquirer received:

The care of babies, though it was not mentioned,

Is quite the top-hole service we give patrons.

The nurses are employees, old and pensioned,

Who, in our vaults, now serve as maids and matrons.

There may the little darlings of our clients

Scamper and laugh all day, with coupons playing,

Trying the budgets, listening with compliance

To tellers—not of tales—but those termed paying—

And others called receiving. Can you fancy

By any stretch of fond imagination

A better nursery for Bob or Nancy,

Or any child of this commercial nation?

KEY CAMMACK.

Funds to Budapest

The Department of State has advised the American Commissioner at Budapest that he should not undertake the risk of indorsing checks and drafts sent to him for the payment of passport fees or the payment of traveling expenses of prospective immigrants, but that he should return such checks to the senders.

Persons desiring to send funds to friends or relatives in Hungary for the payment of fees for their visas or for their transportation to the United States should not send funds in care of the Commissioner at Budapest. Drafts or checks should be made payable to the beneficiaries and transmitted directly to them by the interested parties in this country.

Banks as Purchasers of Stolen Liberty Bonds

(Second Article)

THOMAS B. PATON
General Counsel

IN an article published in the March JOURNAL (p. 609) the conditions under which banks purchasing stolen Liberty coupon bonds, acquired full enforceable rights thereto, free from claims of former owners, were set forth. It was shown that a holder in due course, entitled to full protection, must have taken the instrument under the following conditions:

"A holder in due course is a holder who has taken the instrument under the following conditions:

"(1) That it is complete and regular upon its face;

"(2) That he became the holder of it before it was overdue, and without notice that it had been previously dishonored, if such was the fact;

"(3) That he took it in good faith and for value;

"(4) That at the time it was negotiated to him he had no notice of any infirmity in the instrument or defect in the title of the person negotiating it." (Sec. 52, N. I. Act.)

Also:

"To constitute notice of an infirmity in the instrument or defect in the title of the person negotiating the same, the person to whom it is negotiated must have had actual knowledge of the infirmity or defect, or knowledge of such facts that his action in taking the instrument amounted to bad faith." (Sec. 56, N. I. Act.)

The specific question, was discussed whether the purchaser acts in "good faith" when he buys the paper from a total stranger without inquiry and; after reviewing the authorities, it was said that: "A summary of the great majority of cases would seem to indicate that the mere purchase of bearer paper from a stranger, without inquiry or investigation, does not, of itself, constitute bad faith, but if there are surrounding circumstances of suspicion, the fact of purchase from a stranger, together with such other circumstances, will all be taken into consideration in determining the good faith of the purchaser. In other words, a question of fact will be raised for the determination of a jury whether the purchaser was in fact honest or guilty of bad faith."

Publication of that article has brought forth inquiries upon a phase of the question not treated in the former article and which will now be considered, namely, the effect of the publication of newspaper articles or the delivery of special letters or printed circulars describing the bonds and the fact of theft, as constituting notice of defect in the title of the seller, chargeable to the subsequent purchaser.

A letter has been received upon the subject, as follows:

"I have just finished a hurried reading of your article in the March number of the JOURNAL, 'Banks as Purchasers of Stolen Liberty Loan Bonds,' and am a little disappointed that you did not touch on one phase of the question which seems to me quite important. That is, whether notice either by special letter or printed circular received in the mail stating that certain bonds, giving a description of the bonds, including their number and denomination, have been stolen or lost constitutes notice of defect in the title as contemplated in Section 56 of the Negotiable Instruments Act. If you think it worth while to touch on this question in a future issue of the JOURNAL I shall be much interested in reading your remarks."

Also the following:

"In discussing the article on 'Stolen Liberty Bonds' in the last number of the Association magazine, the question was raised as to the force of the various lists of stolen Liberty bonds sent out by the Federal reserve banks and various agencies. One member of our force contended that if a bank bought a bond listed on one of these lists it could not consider itself a bona fide holder. He contended that such a list served notice that the bond in question had been stolen. Will you kindly favor us with an expression of your opinion on this question?"

So far as the publication in a newspaper of a notice of the robbery of described bonds is concerned, the courts are quite unanimous in holding that such publication does not affect the character of the bona fide purchaser as a holder in due course unless it can be shown that he is actually cognizant of such publication. For example, in *Wildsmith v. Tracy*, 80 Ala. 258, the makers of a negotiable

note and mortgage, seeking to escape liability to a purchaser who had acquired it before maturity and for a valuable consideration, proved that on a certain date before the purchase they "published in the *Daily Age* newspaper of Birmingham a notice warning the public not to trade for or buy the note and mortgage given by them to Tracy on the ground that they had annulled the trade and that the consideration thereof had failed." The Supreme Court of Alabama said on this point: "He (the purchaser) testifies that he never saw or heard of the notice published in the newspaper; he did not reside in Birmingham, where it was published; and such publication is not sufficient notice unless brought home to him by positive proof or by proof of circumstances which authorize the inference of knowledge."

Also in *Gehlbach v. The Carlinville National Bank*, 83 Ill. App. 129, the court held that articles published in the local newspaper affecting the title of the holder of certain notes were not binding on the bank, which subsequently purchased the notes before maturity, because such articles "were not shown to have been brought to its notice before it purchased the notes."

However, if it can be shown that the purchaser was actually cognizant of the publication of the newspaper article he will be chargeable with notice. In an Iowa case (*Merrill v. Hole*, 85 Iowa 66) the maker was allowed to introduce a newspaper to which the purchaser was a subscriber containing a description of the fraudulent character of certain notes and it was held the articles were admissible and might be considered as evidence tending to show that the purchaser knew of such fraudulent character.

With regard to a special letter or circular containing a list and description of stolen bonds, proved to have been delivered to one who subsequently purchases such bonds, there are very few cases on the

subject. In *Vermilye v. Adams Express Company*, 21 Wall. 138, certain Treasury notes issued under the Act of March 3, 1865, were stolen from the Adams Express Company. The company, as soon as it could obtain the numbers and other description of the stolen notes, advertised extensively the loss in the newspapers, gave notice at the Treasury Department and entered there a caveat against their payment or conversion into bonds to any one else and gave notice to the principal bankers and brokers of the city of New York of the loss and their claim on the notes. On the 29th of May and the 5th of June, respectively, 1868, they delivered notices to persons behind the counter of the plaintiffs at their place of business, which notice sufficiently described the lost notes, cautioned all persons from receiving or negotiating them and asserted the claim of the express company to the notes. They paid the owner who had delivered them to the company for transportation and did everything possible to assert their rights in the premises. Notwithstanding this, on the 9th and 12th days of April, 1869, the plaintiffs purchased these notes over their counter at fair prices in the regular course of business and forwarded them to the Treasury Department for redemption, where they were met by the caveat of the express company. The notes in question when issued had three years to run and the three years had long expired and the notes were due and unpaid at the time of their purchase. The brokers sought to maintain that by custom such paper was dealt in after its due date, but the court held that the notes were purchased when overdue, which was sufficient of itself to deprive the purchasers of the character of bona fide holders. Upon this point, as well as upon the effect of the notice of loss served upon them, the Supreme Court of the United States said:

"Bankers, brokers and others cannot, as was attempted in this case, establish by proof a usage or custom in dealing in such paper, which, in their own interest, contravenes the established commercial law. If they have been in the habit of disregarding that law this does not relieve them from the consequences

nor establish a different law. Nor sitting here as chancellors can we say that the testimony offered of the impossibility of men in that business bearing in mind the notices of loss or theft of bonds or notes well described, with which they have been served, satisfies us of the soundness of the proposition. By the well-established law of the case they may purchase such paper before due without cumbering their minds or their offices with the memoranda of such notices. But we apprehend that the amount of overdue paper presented for negotiation is not so large as that bankers receiving notice of loss cannot make or keep a book or other form of reference which will enable them with a very little trouble to ascertain, when overdue paper is presented, whether they have been served with notice of a claim adverse to the party presenting it. The fact that the notes were at once recognized at the Treasury by reason of the notices served there proves that no unreasonable amount of care and prudence was necessary to enable bankers and brokers to do the same. There are other rights in case of overdue paper besides the right to purchase it, which require that care should be exercised, especially by parties who have fair notice of these rights. Bankers and brokers cannot, more than others, when warned of possible or probable danger in their business, shut their eyes and plead a want of knowledge which is wilful."

From this it would appear that so far as the purchase of paper before its maturity is concerned, bankers served with notice of theft are not obliged to cumber "their minds or their offices with the memoranda of such notices," but in the case of overdue paper it is their duty when served with notice of loss by the rightful owner after maturity to make memoranda or lists or adopt some other reasonable mode of reference, where the notice identifies the paper, to enable them to recall the service of notice. But whether this is done or not a purchaser of overdue paper is not a holder in due course under the Negotiable Instruments Act, as one of the conditions to constitute such holder provided by the act, as already shown, is that he must have acquired the paper "before it was overdue."

An English decision is also worthy of attention, *Raphael v. Bank of England*, 17 Com. Bench Rep. 161. In that case certain bank notes were stolen from a clerk in the employ of a banking firm at Liverpool. Payment of the stolen notes was immediately stopped and the loss advertised by means of

hand-bills circulated in Liverpool, and also at Paris and in London. It was shown that one of these notices came to the hands of a money changer at Paris, who, twelve months thereafter, took one of the stolen notes, giving cash for it less the current rate of exchange, from a stranger, whom he merely required to produce his passport and write his name on the back of the note. He admitted that it was the practice of his house to file all notices of stolen or lost notes served upon them and to look to them if the amount was important; but that on this occasion he did not look at the file and had no recollection of the notice or he would not have taken the note. It was held that he was entitled to recover upon it, even though he may at the time of purchase have had the means of knowledge that the note had been stolen, of which means he neglected to avail himself; that the circumstance of his forgetting or omitting to look for the notice was no evidence of *mala fides*.

From these cases it would appear that even the receipt by a banker or broker of a printed circular or letter describing stolen notes does not charge the recipient with any legal duty to preserve the notice and retain its contents in memory, and if, notwithstanding the receipt of such notice, stolen bonds are purchased before maturity for full value in forgetfulness or ignorance of the notice, the purchaser would be protected. Of course, if it could be proved in any case that the purchase was made with knowledge of the facts contained in the notice, this would be bad faith and the purchaser would not be a holder in due course—or without proof of actual knowledge, there might be circumstances surrounding the receipt and retention of such notice sufficient to authorize a finding of bad faith—but generally speaking, neither newspaper advertisements nor the service of printed lists of bonds with notice of their theft, is sufficient to deprive a subsequent purchaser of the status of a holder in due course unless proof of the knowledge of the contents of such notices at the time of purchase is brought home to the purchaser.

The Bank's Screen

By ALFRED C. BOSSOM

WHAT is the ideal screen? One that is attractive in appearance, comfortable to do business over, open and inviting, and yet offering the protection, which is essential, and not more expensive than the situation justifies. The screen, of course, includes not only that part seen by the public, but also the counter or desk work at the back used by the bank's officials.

Materials the lower screen can be constructed of are marble, slate, travertine, artificial stone, tile, terracotta and wood; and for the upper screen (the part above the counter) those, together with wood or bronze, white metal or German silver, iron or brass, filled in with either ground glass, clear glass, wire glass or bullet-proof glass.

Any marble is suitable, but the harder ones are more desirable. The following list indicates the different kinds:

Hard marble—

Belgium Black, Black Gold, Grand Antique, Verde Antique, Levanto, Gienna, Numidian, Jasper, Verona, Fleur de Peche, Blanco P.

*Soft marble—*White Vermont, Alabama, Eastman Cream, Shanville, Carthage Grey, Napoleon Grey.

*Medium marble—*Hautville, Botticino, Tavernelle, Verdello, Black Violet, Escollette, Tennessee.

As to the woods, oak, mahogany and walnut are the three usually adopted for the exterior portions. The inside work is frequently made with birch stained to match the

more expensive material used on the outer side.

In deciding which of these materials shall be employed, the type of bank and amount of money available must be considered. The older and more conservative banks frequently adopt the wood screen similar to the types in the old banks of Europe. Bankers who are very up to date invariably use marble. In hot climates a hard material for both top and bottom sections, such as marble, is more desirable, as it is easier to keep clean. In the

the cage fronts where money or securities are handled, though sometimes plain polished wire glass is used in place of any such protection, as a blow from a hammer will only splinter this without making a hole.

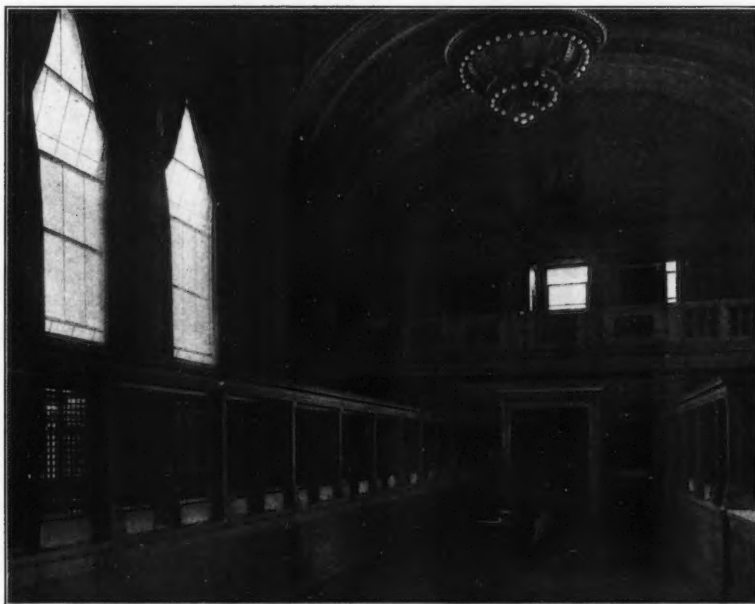
A new form of protection has recently been introduced. It is the bullet-proof glass. A number of very thin layers of glass are fixed together with transparent mastic, and through this a bullet will not penetrate even if fired at comparatively close range. When in conjunction with this a bullet-proof shield can be dropped over the wicket opening, it forms a protection against violent attacks, which protection, although expensive, is very desirable.

In certain banks a more restrained and subdued color scheme is desirable, but like the selection of marble, the "up-to-the-minute banks," as a rule, demand the bright and light treatment, which is more pleasing.

The junction between the floor and the screen on the outside always is subject to more wear and tear than any other portion, and a hard material, marble or slate, should always be employed at that spot irrespective of the material used in the remainder.

In the screen there should be no dirt catchers. Below the counter shelf a smart appearance is obtained by using suppressed mouldings and flat panels.

The counter shelf, whether of wood or of marble, should be a good substantial piece of material,



A very satisfactory marble screen.

northern parts of the country the top screens of bronze are more frequent and give a richer and more desirable effect.

With the wood screen ground glass is commonly used with a very light bronze grille as a protection. Where bronze is employed it is usual to make the appearance as light and open as possible; as bronze need not be as rigid as other material and metal top screens allow direct visible supervision over the entire banking force. Here again a bronze guard is most usual across

at least two to two and a half inches thick, and projecting not less than six inches, preferably eight to ten inches, out from the upper screen.

In Canadian banks this shelf is at least a foot wide and it is found very convenient by customers waiting to be cared for. The more substantial and commodious this shelf the more dignified the entire counter screen appears. By making this one detail of a substantial character it is possible to use the very thinnest stock in all other places and yet produce the appearance of solidity, strength and highest quality.

Certain great institutions have carved medallions and bas reliefs in their screens with advantage, for in their case the question of upkeep is not of consequence, but carving is undesirable where it is necessary to consider expense. The general tendency today is away from these enrichments. Simplicity is the order of the hour.

The small details of the construction screen have everything to do with its success. The usual height of the counter from the ground is three feet, when the bottom of the wicket is level with the teller's counter. Where the wicket is raised above the counter level so that all money has to be lifted by hand to the raised deal plate, it is usual to make the bottom of the wicket three feet six inches, the counter remaining three feet. The old idea of lifting up all material on to the wicket shelf or deal plate is passing away. The great saving in time by being able to push the money straight from the counter through the wicket without lifting it and the avoidance of money falling around are considered greater advantages than the slight additional protection that is obtained by the six-inch wall that formerly was the vogue between the shelf under the wicket and the desk where the teller counted the money.

The depth of the counter on the inside should be not less than eighteen inches, and preferably two feet. This distance makes it very much harder for a thief to obtain anything from the cash drawer and it is now less usual to leave money exposed on the counter; it is kept in its place behind and below the level of the teller's desk top in the drawers specially designed for the

purpose. In the handling of money the deal plate becomes important. Glass bedded in felt is good and ground glass does not show scratches, and either is better than marble and each keeps cleaner. Where the deal plate is level with the desk top it should extend through to the back of the desk and be flush with the desk. This gives a substantial backing for it and it is easier to push books or money over it than if it has a slight raise of one-sixteenth or one-eighth inch, as was formerly the custom. The front of this deal plate should not extend to the edge of the marble or wood shelf on the outer side, but



This screen allows complete observation of the entire room.

should be stopped about one or one and a half inches back; otherwise it forms a break in the counter line, which is very unpleasant and gives an untidy appearance, but if it be countersunk into the top of the shelf this is avoided. Where expense is vital it is possible to keep the outer or customer's side of the shelf slightly lower than the inner desk and to lay the deal plate flush on the inside but above the shelf outside. This again creates an unpleasant shelf line and forms dirt angles, which should be avoided.

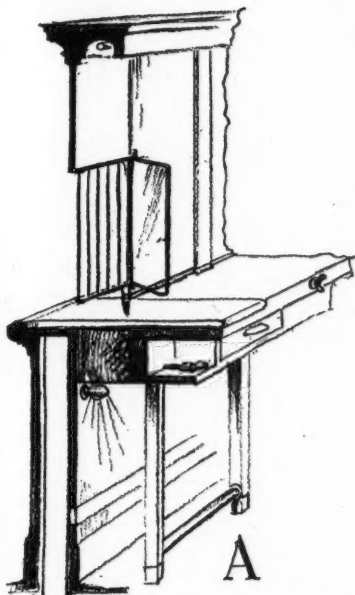
The height of the top rail or cornice of the screen has to be determined by the architectural treatment of the bank. The room's height, its color value, and in fact all component details that go to make the architectural composition

must be taken into account, greater strength in the rail being needed in large rooms and lighter and less conspicuous material being preferable in the low room. Between seven feet and seven feet six inches is the average height.

This brings up the problem of the lighting of the bank screen, for although a bank normally receives general illumination from either exterior windows or ceiling chandeliers, the accuracy essential on the counter makes it obligatory that very good though suppressed lighting be available. For that reason a scheme of tube lighting in a semicircular reflector is formed in a part of the cornice at the top of the screen, the semicircular portion being uppermost and the flat or open side pointing down towards the teller's side of the screen. In this curved reflector, which is about six inches across, are located long horizontal electric light tubes which are continuous across the full front of the cage and are controlled by a small pull-chain socket at one of the corners. To avoid the glare that these lamps would throw a piece of ground glass fits across the bottom of the semicircular reflector. Thus the teller has the light thrown upon his desk and upon the face of the customers, but his own face is shielded. This gives opportunity for careful inspection of the facial expression of the customer, so essential when unknown visitors are doing business with the bank or where business has to be conducted with very great speed. Those old lights on top of the screen have been abandoned universally.

Business along the screen is done through the wicket. The reign of lawlessness which is passing over the country has caused a great amount of attention to be given to wicket construction.

First, the wide opening that was at one time usual at the bottom, sometimes as much as two and a half to three inches high, is now reduced to about one inch, so that a hook or stick cannot be forced underneath the wicket to pull out a bundle of bills. The wicket itself is made of a substantial grating of bronze. It works in a slide and is locked so that a customer or person on the outer side of the screen cannot open it. The old spring catch,



A typical screen section indicates a wicket level with the desk and the lock on the counter level.

so frequently left undone, does not give satisfaction now. In practically all the larger and more modern banks the raising and lowering of wickets is controlled by means of either a foot treadle or a hand lock at the back of the counter. The method of getting through this would be to break it down, a procedure not only conspicuous, but also too time-consuming to be desirable to anyone with dishonest intent.

The height of the top of this wicket is a matter of great importance. The top line should be either decidedly above or decidedly below the level of the teller's eyes, and the opening certainly should be higher than the level of the teller's mouth, for nothing is more annoying or awkward than to see a teller have to bend down to look at the customer, or bend down to talk to the customer.

The width of the wicket should be sufficient to take in any parcel that will have to be handled through it, but this is very seldom considered. Architectural appearance only, more often than not, settles the size of wickets in banks, whether large packages of funds have to be passed over the counter or not. At that point the wicket

must be made large enough to cover its needs readily and not compel the teller to leave his cage and go around to a door in the screen to get bundles. Unless the wicket is unduly large the size of the largest wicket controls all the rest around the bank's screen, which makes the cages interchangeable.

On the inner side the teller must be equipped with the needs of his cage. Paying and receiving tellers should have a flat open shelf under the counter directly in front of them and in front of the wicket. To their left should be a cash drawer, if that treatment is adopted, so that the money can be picked out with the left hand, counted with the right, thus making the one handling sufficient for each customer. Bills of high denomination or unusual currency should be kept in a drawer to the right. The space between the drawer for usual currency and that for unusual currency should be wide enough to allow the teller to stand up tight against the counter without closing either drawer. In this space is usually what is known as a pistol shelf, on which should be a pistol, and which pistol should be fired at least once a year to see that it will work.

Drawers for money should be on roller extension slides, so they will not jam and get out of order, and should have compartments for each denomination of money, both paper and metal, and each drawer should be specially designed for its specific purpose. Often sheet steel with a linoleum top is employed to form the teller's counter in place of wood. This wears better and is very practical, but the average teller seems to like the wood counter and drawers better than the metal, though this is purely a matter of taste and either give perfect service if properly constructed.

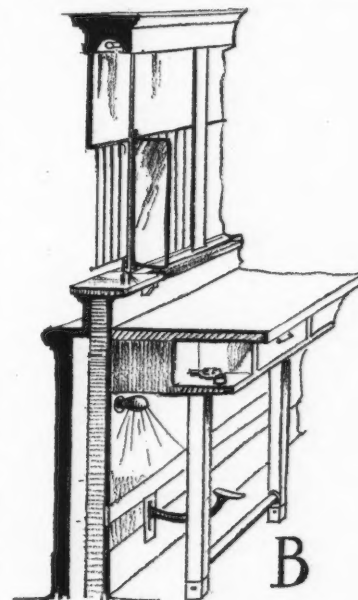
Dirt is undesirable on either the outside or on the inside of the screen. There should be nothing between the under side of the drawers and the floor, so that anything dropping to the floor may be seen and picked up, and also so there is no interference presented against sweeping thoroughly the entire teller's cage once a day.

Lockers, unless specially designed to keep books, should never be constructed underneath the teller's

counter, for they seldom contain anything but rubbish. Where the system of keeping the books in safes under the counter exists it works out, but otherwise openness and cleanliness should have the right of way. A light under the counter can often be installed with advantage. This can be switched on to see that nothing has been dropped or lost.

The top of the desk, of course, in some cases has to be flat, particularly where money or securities have to be handled, but where the section of the screen is given up to pass books or commodities of that sort a sloping top is preferable, as it is easier to work upon and allows the teller to do bookkeeping, which is not practicable on a high flat top desk. Where bookkeepers have to work upon their counters a brass foot rail should be provided. Also the supports for the counter on the inner side, that is, the legs, should have brass shoes so that the floor can be mopped and kept clean without destroying the wood supports.

A novel arrangement has been introduced in some of the largest banks where fear of hold-ups or riots exists. It consists of providing underneath the counter of the money-using tellers a small safe



Wicket screen with raised wicket and foot treadle controls raising and lowering of wicket grille.

bolted to the floor so that at a moment's notice the entire cash can be thrown into this and the door of the safe slammed. In the event of a riot it would take the rioters far longer to open this than normally would be required to get the police to the bank to protect its funds. In isolated districts this would not be a great benefit, as it would take too long to obtain the aid of the law, but in the busy and rough commercial sections of big cities this innovation is well worth considering.

A bus specially designed to carry the cash and made up actually of the drawers themselves is now a common provision. This bus wheels in and actually forms a part of the counter. It can be locked when the teller leaves it or can be wheeled away bodily and put into the vault at any time. This saves much handling of money, particularly where there are many tellers. Each has his own particular compartment and is made directly responsible for it.

All bankers today remember the introduction of the adding machine and more mechanical devices will be made than we know of now. For that reason it is well to provide a special wire moulding in the back of all counter screens with plenty of room for the addition of more cables. The slight additional cost for this at the time of construction saves a vast amount of annoyance and expense whenever more wires are needed for a new or changed purpose. It is easy to do this during the construction, and yet in very few banks is such provision made and the introduction of additional methods of communication between departments is difficult and expensive. This also applies to the necessary provision for messenger or porter calls, etc., or for warnings against hold-ups.

Many systems for warnings exist. A good one is to have a red light appear over the top of the cage where there is trouble. Another good one is the sounding of a gong. With a little careful consideration the right precaution for the locality can be selected. No counter screen is complete without something of this sort.

All human beings like to know to whom they are talking and the banker realizing this often places



Richness in effect can be obtained by using wide spaced bronze supports and heavy sections.

on his bank screen the name of the teller in attendance. This is best done with a small piece of glass having letters painted upon it, which can be removed or changed as the teller is changed. Of course, the name of the department should always appear over the wicket or cage, but in banks that have particularly long corridors it is desirable that there should be an outstanding flag sign so that anyone can see at a distance the wicket to which they must go. Small electric name plates are used for this purpose. Where time is essential the more conspicuous and easy these are to read the more the customer appreciates it.

A screen to be permanent should be well constructed on an iron frame built into the floor of the building with a brick or tile foundation wall to carry the lower screen and to give stability to the whole structure. The inside should be plastered, whether it is covered with wood panels or not, and all un-

necessary breaks should be avoided so it will not show wear readily.

As to the cost, marble and bronze are the most expensive. The harder grades cost more than the softer ones. All-marble construction is cheaper than marble and bronze. Marble and wood construction is cheaper than the former, and so on, the cheapest screen, of course, being the entire wood screen.

Once the bank is occupied it is of vital importance that the screen be kept in perfect condition. The marble work should be gone over at least four times a year with a material suitable to whichever marble is used. The bank's porter can do this readily, and if he does it he can make the marble look better after ten years than it did the day it was installed. This applies with even more force to the bronze, and where it is carried out a fine patina soon grows, making the screen a thing of beauty. Where this care is not exercised the entire cost might better be saved and a cast-iron support be used instead of going to the very considerable expense that all-bronze work entails.

In laying out a screen it is well not to use eccentric materials, for in the course of time the bank either has to change or enlarge, or make some modifications, and where unusual materials have been adopted it is very difficult to find more and it becomes impossible to avoid making large and expensive changes which would not have been compulsory had more easily obtainable and conservative materials been adopted originally.

Be Careful What You Say

EVERY letter sent out from this bank, says the employees' organ of the First National Bank of Tulsa, whether so intended or not, is a sales letter. It either has a positive or a negative effect on the person who receives it. If it is friendly, cordial, direct, it leaves a good impression. If it is poorly worded, unfriendly or sarcastic, it leaves a negative impression, which will not

soon be forgotten. The secret of letter writing is to say what you have to say in concise terms, omitting anything that might be misunderstood. When you have finished, quit. It is not necessary to say anything about the bank. If your letter is of the right sort, regardless of the subject, it will be a sales letter for the bank.

Functions of the Stock Clearing Corporation

By J. EDWARD MEEKER

Economist to the Committee on Library, New York Stock Exchange

DURING the past century all the leading Stock Exchanges in the world have been compelled to institute some method of clearing the contracts vital to their operation, in order to save valuable time and labor and to effect economies in the employment of bank credit.

The New York Stock Exchange was comparatively slow in developing its clearance system, and it was not until May, 1892, that its former Stock Clearing House was established. Yet even this first step toward its present complex and efficient clearance system was unique among the great stock clearing institutions of the world, in that it cleared contracts, not once every fortnight for the "term settlement" common in Europe, but five days each week for the distinctively American system of daily settlements.

One of the principal objects sought in the formation of the present Stock Clearing Corporation was to reduce to a minimum the amount of unsecured day loans which the banking institutions of New York had been called upon to make to brokers, to enable the latter to settle their transactions. The occasion for its foundation grew out of a decision of the Supreme Court to the effect that banks were not entitled to any preference as creditors in connection with day loans. As a result the New York banking institutions urged that the Stock Exchange devise some method of reducing the amount of certification and day loans demanded of them by its members.

To this end the Governing Committee of the Stock Exchange in 1914 appointed a special committee. After several years of study and investigation and with the cooperation of a special committee of the Bank Clearing House, the Stock Clearing Corporation was formed in the spring of 1920 with a capital of \$500,000. It took over the activities of the former Stock Clear-

ing House, which from that time has been known as its Night Clearing Branch. In addition, the Stock Clearing Corporation established a Day Clearing Branch, which had the new function of clearing those money balances resulting from the operations of the Night Clearing Branch.

The Stock Clearing Corporation, all of whose stock is owned by the New York Stock Exchange, is employed by "clearing members" who constitute all active firms on the Exchange clearing stocks. Each of these members contribute to a "clearing fund" an amount of money starting with a minimum of \$10,000 and increasing in classes, according to the volume of business done by the particular firm. The "clearing fund" is deposited in such banking institutions as ordinarily handle brokers' accounts. The banks here lost no deposits by this innovation; the extent to which brokers' balances have been lowered by it is made up by the new deposits from the Stock Clearing Corporation.

The Stock Clearing Corporation acts as the agent of its clearing members and in regard to cleared stocks and bonds (and loans) pays out and receives money for their account during the day, but each night finishes its operations with the same amount of money on hand in the clearing fund that it began business with that day. As under its operations securities are delivered on receipt between firms, thus establishing debits and credits in their account with the Clearing Corporation, the time of delivery is materially expedited and the delay in waiting for checks to be made out and later to be certified is much reduced.

As a result of the operations of the Day Clearing Branch since April 26, 1920, when it began clearing cash balances, it has functioned successfully and reduced by 30 per cent. the demands by brokers on banks for day loans and the consequent certification.

Recently the Stock Clearing Corporation has taken a further step to reduce the amount of banking accommodation needed by Exchange members by undertaking to clear the collateral loans of its members. After months of careful preparation this additional function was begun by the Day Clearing Branch on March 22.

In connection with this new operation, twenty-one of the leading institutions of the financial district have signed agreements with the Stock Clearing Corporation to operate under its proposed plan and to send their securities at 11.30 in the morning to the Day Clearing Branch. The representatives of these institutions will remain in the Stock Clearing Corporation for the purpose of delivering securities called and paid for and making new loans and taking the securities back to their institutions from 11.30 to 2.30.

At present the limitations of space in the Stock Exchange are such that it is impossible to accommodate all the institutions which it would seem desirable to bring into the operation of clearing loans. But there will be ample space for everyone when a new twenty-story addition to the Stock Exchange, now in the process of erection on Wall Street between Broad and New Streets, is completed.

In order to protect the Stock Clearing Corporation against any undue extension of credit accommodation to its members in its operation in clearing loans it has been considered necessary that when loans are called or paid off from banking institutions through the payment therefor by the Stock Clearing Corporation, the securities shall be delivered to the Day Clearing Branch by the banking institutions. Thus the Clearing Corporation is protected by having the collateral in its possession until new loans are made, and money is received therefor, and credit established.

The Call for Publication of Bank Salaries

THOMAS B. PATON

General Counsel

FOR the first time in the fifty-eight years' history of the national banking system the Comptroller of the Currency, on February 24, in issuing a call for the reports of condition of national banks at the close of business on February 21, 1921, included in the blank form of statement for report and publication, the following items:

"58. Aggregate amount of salaries or compensation paid by this bank to chairman of board (if any), president, vice-presidents, cashier and assistant cashiers for month of January, 1921, \$; annual pay of all these officers at January, 1921, rate of pay, \$; number of these officers on date of this report was

"59. Aggregate amount of salaries or compensation paid to all other employees of the bank for month of January, 1921, \$; annual pay of these employees on basis of the January, 1921, rate of pay, \$; number of these employees on date of this report was

General objection was immediately voiced to the publication of this information and question was raised as to the authority of the Comptroller to make such requirement. The president of the National Bank Division of the American Bankers Association, on February 25, addressed an official letter of protest to the Comptroller, concluding with the following request, with which there was no compliance:

"In view of the wide-spread complaint that has come to the attention of this office I am constrained to ask if you will make a public statement to the press this afternoon to the effect that banks reporting their condition at the close of business February 21 may use their discretion in publishing the two schedules named."

On the same day the president of the National Bank Division addressed a letter to General Counsel of the Association asking for his opinion on the subject, which was rendered the next day, as follows:

NEW YORK, Feb. 26, 1921.

MR. H. H. MCKEE,
President National Bank Division,
A. B. A., Washington, D. C.

DEAR MR. MCKEE:

You ask my interpretation of Sec-

tion 5211, Revised Statutes, with reference to the question "whether a report of compensation paid to officers and employees is a report of any part of the assets or liabilities of national banks and whether the Comptroller of the Currency has power to force the reporting banks to publish this confidential information."

Section 5211 requires five reports each year to the Comptroller, "according to the form which may be prescribed by him," and "each such report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the Association," etc. The report must be published "in the same form in which it is made to the Comptroller."

The Supreme Court of the United States, in *Cochran v. U. S.*, 15 Supreme Court Reporter 628, says that the object of Section 5211 is "to apprise the Comptroller of the Currency and the public of the condition of each national bank at stated periods."

In my opinion a statement of salaries paid does not come within the spirit and meaning of Section 5211; it is not the character of information which the law requires shall be reported upon call of the Comptroller and published. It is not a statement of what the bank owns or what it owes—its resources and liabilities—and a report and publication of such salaries would in no way fulfill the object of Section 5211, which, as declared by the Supreme Court, is, as already said, to apprise the Comptroller and the public of the bank's condition at stated periods. The Comptroller's authority is measured by law—he cannot go beyond the law—and this is simply an authority to call for a report of resources and liabilities so that he and the public may know the condition of the bank. When he goes beyond this and demands the publication of additional information of a confidential character he is, in my opinion, proceeding without authority of law.

True, Section 5211 also provides for special reports to enable the Comptroller to acquire "a full and complete knowledge of its (the bank's) condition." But assuming the authority to require these special reports would cover a wider latitude of information, there is no requirement for publication in such case.

I am, therefore, inclined to the opinion that a report of the compensation paid to officers and employees is not a report of the resources or liabilities and that the Comptroller of the Currency has no power to force the reporting banks to publish this confidential information.

Concerning the penalty for failure to make reports, Section 5213, Revised Statutes, imposes a penalty of \$100 a day for failure to make and transmit the required report; but this section contains no penalty for failure to comply with the provision of the act that the report must be published in the same form in which it is made to the Comptroller. Even assuming there was authority to require publication of this information, which I very much doubt, the only penalty for non-publication would be the general penalty provided by Revised Statutes, Section 5239, of forfeiture of the franchise, but a prerequisite to such forfeiture is judgment of a court in a suit brought for the purpose by the Comptroller of the Currency.

Very truly yours,
THOMAS B. PATON,
General Counsel.

The sanctity of private affairs and the general right of the citizen including the corporation to immunity from unreasonable disclosure of private information is guaranteed by the Federal Constitution. If the disclosure is required by law for a legitimate public purpose it may be compelled. Thus the provision of the Corporation Tax Act of 1909, making tax returns open to public inspection on the order of the President, though attacked as "an unlawful attempt to exhibit the private affairs of corporations to public or private inspection" was nevertheless upheld by the Supreme Court, which said that the end was legitimate and that this feature of the law did not do violence to the constitutional protection of the Fourth Amendment (*Flint v. Stone Tracy Co.*, 220 U. S. 107).

But in the case of national banks there is no provision of law which requires the publication by the banks of private information as to salaries paid their officers and employees and there is therefore no authority in the Comptroller to compel such publication. The extent to which the affairs of national banks are subject to public inspection is defined and regulated by the national statutes. Section 5240 (formerly 5241), Revised Statutes, contains the provision that "no bank shall be subject to any visitatorial powers other than such as

are authorized by law or vested in the courts of justice or such as shall be or have been exercised or directed by Congress, or by either House thereof, or by any committee of Congress, or of either House duly authorized."

The visitorial powers authorized by law which are vested in the Comptroller of the Currency are contained in Sections 5211-12, Revised Statutes, as to reports of condition and of dividends and special reports, and Section 5240 as to examinations, and while, under these provisions, the Comptroller can undoubtedly acquire full information of the private affairs of banks, there is nothing in any of them which requires, or authorizes him to compel, the banks to make public private information as to salaries. The sole provision as to publication is contained in Section 5211, which requires the bank to make newspaper publication of the reports in the same form in which they are made to the Comptroller. But the character of such reports is clearly defined as being an "exhibit in detail and under appropriate heads of the resources and liabilities of the Association," and such specification negatives an intention that these reports, which are to be published, are to include other confidential information of the private affairs of the banks. The requirement of publication of resources and liabilities is for the reason that the public which deals with the bank is interested in and is entitled to be informed of its condition. But the amount of compensation which the bank pays its officers and employees is strictly a private affair between the bank and its employees and does not interest the general public, which is only concerned in the solvency and stability of the bank. This requirement of publication, reasonably interpreted, does not extend to private information of this character.

Not only is the bank not required to make publication of its private affairs other than a statement of its resources and liabilities, but there is express statutory prohibition of publication by examiners of certain private information derived in the course of examinations. This is contained in Section 22 of the Federal Reserve Act, which

provides that "no examiner, public or private, shall disclose the names of borrowers or the collateral for loans of a member bank to other than the proper officers of such bank without having first obtained the express permission in writing from the Comptroller of the Currency or from the board of directors of such bank, except when ordered to do so by a court of competent jurisdiction, or by direction of the Congress of the United States, or by either House thereof, or any committee of Congress or of either House duly authorized."

The above statutory provisions indicate that Congress has always had in mind the necessity of safeguarding the private affairs of national banks from unnecessary publicity and has never given the Comptroller of the Currency power to compel them to publish their private affairs in the newspapers, other than the power to compel publication of the ordinary statement as to their financial condition.

It is interesting in this connection to notice the opinion given by Attorney General Wickersham to the President of the United States on November 9, 1912, concerning the authority of the President to give to a committee of Congress, information in the possession of the Comptroller of the Currency relative to the operation of national banks (29 Op. Atty. Gen. 555). The Committee on Banking and Currency of the House of Representatives, which was inquiring into the so-called money trust, had asked the Comptroller for certain data which the latter declined to secure and furnish without direction from the President. The committee had first sought the data directly from the national banks but their officers declined to furnish it. The President referred the matter to the Attorney General with request to be advised as to his lawful powers to give the information ascertained through the Comptroller. The Attorney General, after reviewing the banking statutes, stated that the banking laws clothe the Comptroller with authority to examine the affairs of national banks for three main purposes, (1) to ascertain the financial condition and soundness of management of national banks, (2) to determine

whether or not such banks are operating in conformity with the Banking Laws, (3) to enable him to recommend amendments to the existing law. The Attorney General found that nowhere in the law is there an express provision that the information thus acquired by the Comptroller shall be confidential, but he held that if in the President's opinion the interests of the government required the information should be treated as confidential, the President would have the right to refuse to divulge it; at the same time, if the President deemed it proper to give this information to the House committee he had the lawful power to do so.

The opinion dealt with the further question whether the President would have power to direct the Comptroller to collect information called for by the committee not already in his possession. Upon this question he held that the power given in Section 5211 to call for special reports was broad enough to authorize the Comptroller to call for any reports which may be necessary to enable him to determine how, in his opinion, the banking system may be improved by new legislation and what legislation he should recommend to Congress for that purpose; but that the Comptroller cannot exercise such power merely for the purpose of procuring information for a committee of one of the Houses of Congress on which the committee may base its own conclusions as to what mandatory legislation is necessary or desirable. On this point he said: "It (the committee) cannot properly expect the Comptroller of the Currency by a strained construction of the statutes to exercise a power given to him for a definite purpose, to procure information for another purpose, thus furnishing indirectly to the committee information which the law does not authorize it to get directly."* The Attorney General held that if the President believed that any information desired by the committee should be obtained and considered by the Comptroller in

*Subsequent to the rendition of this opinion, Section 5241 (now 5240), Revised Statutes, was amended by Section 21 of the Federal Reserve Act of 1913 by increasing the visitorial powers to which national banks are subject to "such as shall be or have been exercised or directed by Congress, or by either House thereof, or by any committee of Congress, or of either House, duly authorized."

the performance of his, the Comptroller's, duties, the President could direct him to procure it and after it had been obtained for this legitimate purpose the President, if deemed proper, could direct him to furnish it to the House committee. If, however, neither the President nor the Comptroller believed that such information was useful or necessary to him in the performance of his duties, the President could not properly direct him to procure it. The opinion concludes: "I express no opinion as to the propriety of furnishing to the House committee any information gathered by the Comptroller. I am informed that it has been the custom of his office to consider a great part of such information as con-

fidential, but as to the wisdom of applying this rule in the present instance, the Secretary of the Treasury and the Comptroller can best advise you."

The opinion of the Attorney General rendered in 1912 is enlightening on the general subject of how far the private affairs of national banks may be disclosed to the public. It relates, however, to a different situation from the one now presented. Recognizing the confidential character of much of the information gathered by the Comptroller from national banks and the custom of the office to treat it as such, it nevertheless holds that in the absence of express statutory provision that the information so acquired is confidential, it is dis-

cretionary with the President, who is the Comptroller's superior, to require him to divulge it to a committee of Congress, although the Comptroller could not (then) be required to secure information for the purposes of a committee, when not needed for his own lawful purposes. In the present situation, however, the Comptroller has attempted, under guise of an authority, to call for and require publication of, reports of resources and liabilities—legitimate matters of public concern—to also compel the banks to include in such reports and to publish, other information of a private nature in which the public has no concern. This is clearly unauthorized by the statute and is beyond his powers.

In the State Legislatures

THOMAS B. PATON
General Counsel

IDAHO—Mr. F. F. Johnson, chairman of the Legislative Committee of the Idaho Bankers Association, reports that three measures recommended by the American Bankers Association have been passed by the Idaho Legislature this year. These are:

Senate bill No. 91, which qualifies notaries public who are stockholders, directors, officers or employees of banks or other corporations to take acknowledgments of written instruments executed to

or by the corporation and to administer oaths to other officers of the corporation, etc., where the notary public is not himself interested.

Senate bill No. 92, which provides for the punishment for bank slander.

Senate bill No. 93, which authorizes a bank to send direct to a payer bank in another city or town for collection or deposit negotiable instruments drawn upon or made payable at the latter bank.

All these laws become effective May 3, 1921.

KANSAS—Mr. W. W. Bowman, secretary of the Kansas Bankers Association, reports the only American Bankers Association measure passed at the recent session of the Kansas Legislature is the bill enabling banks to acquire stock in Federal corporations organized under the Edge Act. The bill was amended so as to restrict the extent of the investment to 5 per cent. of the capital and surplus of the bank.

Will Liquidate Food Draft Department

REPORTS from the European director of the American Relief Administration, of which Herbert Hoover is chairman, indicate that the governments of the five countries in which it operates the food draft plan are either in process of dissolving the control of the food trade or contemplating doing so. This will relieve the economic situation and the Relief Administration has decided to discontinue the food draft plan, which was an emergency measure, at the close of business April 30.

In January, 1920, when the food draft plan was inaugurated, it was

carefully considered by the Committee on Commerce and Marine of the American Bankers Association and the committee gave the plan its indorsement and urged members to cooperate in the work of selling the drafts. As a result some five thousand banks, most of which are members, took part in this work, which resulted in the sale to date of 280,000 drafts, representing the food equivalent of about seven million dollars. The number of people relieved in this manner is difficult to estimate, but it would not be far short to say that additional food has been provided for about one million

persons without call upon general charity.

The Commercial Trust Company of Philadelphia announces the following promotions: To be vice-presidents, Samuel A. Crozer and Mark Willcox; to be secretary, J. Watts Mercur, Jr.; to be treasurer, Henry C. Gibson; to be assistant secretary, Harry E. Righter; to be assistant treasurer, Robert MacNeill; to be assistant secretary, Miss Melissa Smith. Miss Smith is the first woman to hold office as a trust company official in Philadelphia.



OPINIONS OF THE GENERAL COUNSEL



THOMAS B. PATON
General Counsel

Protest of Check Lacking One of Two Signatures

The check of a corporation which, by authorization filed with the bank, required signature of president and countersignature of treasurer, is presented for payment countersigned by the treasurer but without the president's signature. For that reason it is refused payment and is protested. Question is raised as to the propriety of protest. Opinion that to constitute dishonor by non-payment which would authorize protest a check must be duly presented and assuming the check in question was so drawn without authority of the corporation, it would not be a genuine, but stand in the same category as a forged check or one signed without authority, as to which there could be no due presentment and no dishonor which would justify protest and upon which an indorser would be liable for breach of his warranty of genuineness—Cases of this kind differentiated from genuine checks refused payment because not drawn in accordance with contract with bank, as, for example, where A draws a check individually upon an account subject to withdrawal upon checks signed by A and B, which would probably be held duly presented and protestable for reasons stated in opinion.

From New Jersey—We will appreciate it if you will advise us if it is legal to protest a check because one signature is missing. We have had occasion during the past week to protest a check of an account requiring two signatures and with authorizations on file to honor no checks unless signed by the president and countersigned by the treasurer, because this particular check was countersigned by the treasurer only, the president failing to sign. We had this check protested and returned, and our correspondent has taken exception to this fact. In order that we may have a rule in connection with such items we would appreciate your advising us in the matter.

The Negotiable Instruments Act provides that "where any negotiable instrument has been dishon-

ored it may be protested * * * but protest is not required except in the case of foreign bills of exchange" (Sec. 118), and "the instrument is dishonored by non-payment when it is duly presented for payment and payment is refused or cannot be obtained * * *" (Sec. 83).

One of the essentials to constitute dishonor by non-payment which would authorize a protest is that the instrument must be "duly presented for payment," and the question here is whether the check of a corporation, which by contract with the bank the latter has authority to pay only when signed by the president and countersigned by the treasurer, and which is refused payment because it is countersigned by the treasurer only and the president fails to sign, has been duly presented so that refusal of the bank constitutes a dishonor which authorizes protest.

Where an instrument valid in all respects has been duly presented and is refused payment, the object of giving notice of dishonor or of protesting is to preserve the liability of parties contingently liable. The contract of an indorser as declared by the law is two-fold, consisting of a warranty and an engagement. The indorser warrants (1) that the instrument is genuine and in all respects what it purports to be; (2) that he has good title to it; (3) that all prior parties had capacity to contract, and (4) that the instrument is at the time of his indorsement valid and subsisting. In addition, he engages that on due presentment it shall be accepted or paid, or both, as the case may be, according to its tenor, and that if it be dishonored and the necessary proceedings on dishonor be duly taken, he will pay the amount thereof to the holder or to any subsequent indorser who may be compelled to pay it. N. I. Act, Secs. 65, 66.

Where an instrument is as warranted and it has been duly pre-

sented and refused payment, it is essential that the necessary proceedings on dishonor—notice of dishonor or protest—be duly taken to make the indorser's conditional promise to pay absolute; otherwise he will be discharged. But where there is a breach of the indorser's warranty of genuineness, or of title, or of capacity of prior parties or that the instrument is at the time valid and subsisting, he is liable upon such warranty and there is no necessity of notice of dishonor or protest to hold him liable; in fact, there is no dishonor of such an instrument which would authorize or justify notice of dishonor or protest, because there can be no due presentment. That is to say, if the instrument is forged there is a breach of warranty of genuineness and there can be no due presentment of such an instrument; if an indorsement is forged there is a breach of warranty of title and the holder having no title cannot make due presentment; if it is drawn or indorsed by a person without capacity, as, for example, an infant or a judicially declared lunatic, there is a breach of warranty of capacity of prior parties. The holder cannot make due presentment of such an instrument; and if the instrument is void under some usury or anti-gaming statute, there is a breach of warranty that the instrument is valid and subsisting and there can be no due presentment of such an instrument. In all these cases the indorser is liable upon breach of warranty and as there can be no due presentment the instrument, strictly speaking, is not subject to protest. It has been held, for example, that no demand, protest or notice is necessary to fix the liability of an indorser of a forged instrument, since he has by his indorsement warranted its genuineness and validity. *Turnbull v. Bowyer*, 40 N. Y. 456; *Perkins v. White*, 36 Ohio St. 530; *Hamer v. Brainerd*, 7 Utah 245; *Rossi v. National Bank of Commerce*, 71 Mo.

App. 130. See also Daniel Neg. Inst., Sec. 669b. It has also been held that unless a check payable to order is properly indorsed there is no due presentment. *Harden v. Birmingham Trust & Savings Bank*, 55 So. (Ala.) 943.

But looking at this question from another angle, there may be cases where the drawee is justified in refusing payment of a check or draft because not in accordance with his contract with the drawer and yet, so far as indorsers and holder are concerned, the instrument is genuine, there is no defect of title, no lack of capacity of prior parties and the instrument is a valid and subsisting one. A, for example, draws his check against insufficient funds and delivers it to B for value. A thus commits a fraud upon B. B, the payee, indorses it for value to C and C to D, who presents the instrument and the bank refuses payment because, by its contract with A, it is not obliged to honor an overdraft. The check, it is true, is not a valid order so far as the bank is concerned, but it constitutes a valid contract between the parties prior to the drawee, by virtue of which the drawer and indorsers agree with subsequent holders that if on due presentment it is not paid and due notice of dishonor is given they will pay it. The drawer, it is true, is liable without demand and notice because he had no right to expect or require the bank to pay, but so far as the indorsers are concerned there must be due demand and notice to hold them liable. There has been no breach of warranty of genuineness or defect of title or capacity of prior parties or validity of instrument, so far as parties prior to the drawee are concerned. Such an instrument is susceptible of due presentment and dishonor by non-payment.

Now suppose A and B keep a joint account in a bank and agree with the bank to pay checks only upon signatures of both of them. They have sufficient funds in the bank, but A alone draws a check which the bank refuses because not signed in accordance with the contract, it would seem for like reasons that this also should be protested to

hold an indorser because, so far as parties prior to the drawee are concerned, there has been no breach of any of the things warranted by the indorser.

This brings us to the check in the present case. It is the check of a corporation which under contract with the bank, must be signed by the president and countersigned by the treasurer. It is countersigned by the treasurer but lacks the signature of the president and is refused payment for that good reason. The instrument is not a valid order on the bank so far as the drawee is concerned, but assuming it has been issued to a bona fide payee and has been indorsed for value, the question arises has there been any breach of warranty of the indorser so that notice of dishonor or protest is not necessary to hold him. If this instrument, although not in accordance with the contract with the bank, is drawn in this way by authority of the board of directors, I think it would fall in the same category as the instruments last cited and be protestable. But presumably this instrument has been issued without authority and is, therefore, not genuine in the sense of being unauthorized by the drawer. The indorser has warranted genuineness and a warranty of genuineness has been held to include a warrant of authority of an agent to sign in the name of the principal. If, therefore, we assume the treasurer issued this check without authority of his principal, then it would seem to follow that the warranty of genuineness of the indorser would be broken and he would be liable without demand, notice or protest, and the instrument not being genuine, there could be no due presentment and no dishonor which would justify protest.

There has been no decision of such a case and the question is somewhat problematical. But if the above reasoning and conclusion are correct, the instrument in question was not protestable and an indorser would be liable without protest or notice of dishonor because of breach of his warranty of genuineness.

Payment of Deposit to Foreign Committee of Lunatic

Where a depositor in a bank in New Mexico is adjudged a lunatic in another state and a conservator of his estate appointed in such state, the bank cannot safely pay over the deposit to such conservator upon certified proof of his appointment and qualification, but duly authenticated proof of the foreign appointment must be presented to the district court which will appoint a committee of the estate of the lunatic who will have power to receive payment of such deposit.

From New Mexico—We have a depositor who was recently committed to the Connecticut State Hospital for the Insane. A near relative has been appointed conservator of his estate by a court of probate in that state. Can we with safety turn over the money on deposit here to the conservator upon certified proof of his appointment and qualification?

The New Mexico statute with respect to the powers of a foreign committee of an insane person having property in that state provides that "the appointment of any committee, guardian or trustee, by any authority outside of this state, shall not authorize the person so appointed to control the person or estate of any lunatic or habitual drunkard resident within this state, or to interfere with the real estate situate within this state, of any lunatic or habitual drunkard whether resident within this state or otherwise." (N. M. Stat. Anno., 1915, Sec. 3390.)

By Section 3391 of the statute it is provided: "In the case of a person residing out of this state and duly found to be a lunatic or habitual drunkard, according to the laws of the place in which he resides, it shall be lawful for the district court of any county of this state to admit copies of the proceedings in such cases, duly authenticated, as sufficient proof for the appointment of a committee of the person or estate of such person for this state."

From the above quoted sections of the New Mexico statute it would appear that the conservator of the estate of a lunatic appointed in Connecticut would be without power to take over or control the estate of such insane person situate in the state of New Mexico, and it would therefore not be safe for a

bank to turn over to a foreign committee or conservator a deposit of a lunatic held by it. The proper procedure, as indicated by the statute, would be to present duly authenticated proof of such foreign appointment to the proper district court in the state of New Mexico and have such conservator, or some other proper person, appointed a committee of the estate of such lunatic in that jurisdiction.

Payment of Check on Forged Indorsement

A traveling salesman for a wholesale house, authorized to collect for goods sold, receives in payment checks payable to his firm, which he indorses in the firm's name, collects from the drawee and absconds. The firm seeks to hold the drawee bank. Opinion: The courts hold that an authority to an agent to collect is not an authority to indorse his principal's name to checks, payable to the principal, taken in collection and in the absence of express authority to indorse, or implied authority, as where the principal permits the indorsement of his name, such indorsement is a forgery and the drawee is liable, whether it be to the true payee or only to the drawer, who, in such event, would be answerable to the true payee.

From Indiana—Sometime last September a firm in Chicago had a traveling salesman who had been in the habit of coming to our town selling and collecting for goods sold. One day this traveling man came to our bank and asked me to cash some checks for him, amounting to about \$900. Checks were all on our bank, all were made payable to the firm and had the firm's indorsement on them, having also the name of the traveling agent, and I cashed them for him. A month later the firm, after having tried to get this man and knowing that he had escaped to Italy, notified us that their indorsement was a forgery and are now going to sue us for the money. Kindly let us know whether we will be held liable or not in this case.

The courts have held in several cases that an agent engaged in selling goods and authorized to collect money for goods sold has no authority to bind his principal by indorsing the latter's name, as payee, to a check taken in payment for the goods. For an Indiana case see *Hamilton National Bank v. Nye*, 37 Ind. App. 464.

But if an agent has been per-

mitted by his principal to indorse checks payable to his principal, this will create an implied authority and the principal cannot recover from one who cashes such a check for the agent where the agent appropriates the proceeds. *Best v. Kray*, 85 N. W. (Minn.) 822.

Presumably in your case there was no express authority from the Chicago house to its traveling salesman to indorse its name to checks taken in collection; and unless the firm knowingly permitted him to so indorse checks, raising no objection to this method of collection, there would be no implied authority to indorse the checks in question. But the case would be one where your bank has paid checks on a forgery of the payee's indorsement.

Such a payment, of course, is not chargeable to your customer and the sole recourse of your bank would be upon the person for whom you cashed the checks.

There is a division of authority whether a bank which pays a check upon a forged indorsement is liable to the true payee or only to its customer. It is unnecessary to discuss this conflict of authority because unless your bank can prove that the salesman had authority, express or implied, to indorse for his principal, there is an ultimate liability on your part, whether it be directly to the Chicago wholesale house or only to your customer, the drawer of the check, who in such event would be answerable to the Chicago house.

Rights of Holder of Check Against Insufficient Funds

The holder of a check which has been refused payment because of insufficient funds has no lien on subsequent deposits, and even where the drawee holds such check for collection it must pay smaller checks, as presented, within the balance and has no right to refuse such checks to permit the balance to accumulate for payment of the larger check. Where, however, at a time when the balance becomes sufficient other checks are independently presented which would exceed the balance there might be a liability to the holder if the drawee paid such other checks to the exclusion of the check which it holds as agent for collection.

From Kansas—1. A holds a check on a bank which he presents, and for which there is not sufficient funds to pay. Payment, of course, is refused. Subsequently other and lesser checks are presented, which bank pays. The holder of the larger check complains, claiming that the prior presentation of his check operated to give his check priority and that bank should have held and continued to hold the balance and its subsequent accumulations until sufficient to meet the large check.

2. Does it make any difference if the drawee bank accepted the larger check for collection?

The holder of the larger check, which is refused payment because of insufficient funds, has no claim of priority on the funds and the bank is free and it is its duty to pay smaller checks subsequently presented which are within the balance. The Negotiable Instruments Act provides: "A check of itself does not operate as an assignment of any of the funds to the credit of the drawer with the bank, and the bank is not liable to the holder, unless and until it accepts or certifies the check." There would be no priority even were the law otherwise. Thus in Illinois, where prior to the Negotiable Instruments Act the delivery of a check constituted an assignment of the funds to the holder, provided they were sufficient, the court in *Gilliam v. Merchants Nat. Bank*, 70 Ill. App. 592, held there is no presumption that a check refused payment for want of funds remains outstanding for payment, and no duty devolves on the bank to reserve from a future deposit an amount sufficient to satisfy it; and the court said that the contrary contention "involves the absurd proposition that a bank is required to keep a record of all checks refused payment because of lack of funds of the drawer, and then retain from any future deposit an amount sufficient to pay them."

Your further question is whether there is any difference in the rights of the holder or the duty of the drawee where the latter accepts for collection a check larger than the balance. When a check is remitted to a drawee for collection it occupies a dual relation and duty. Its duty as collection agent for the holder is to present the check for payment and its duty to the drawee is to pay the check only if the funds are sufficient to cover it. *First Nat. Bank v. First Nat. Bank*, 154 S. W.

(Tenn.) 965. If when presented the funds are insufficient it is the duty of the drawee as collecting agent to cause the check to be protested and returned.

It sometimes happens, however, that the holder in transmitting the check to the drawee will request the latter, if the funds are insufficient when received, to hold the check for a reasonable period before returning, so that the check may be collected out of subsequent deposits. In such case there is no duty to the holder to refuse payment of later presented checks, within the balance, until subsequent deposits are received sufficient to meet the larger check. If the drawee did this it would violate its duty to its customer, the drawer, by dishonoring his good checks.

And although sufficient funds are subsequently deposited, if they are specifically appropriated by the depositor to other purposes, the bank would have no right to apply them to the check held by it for collection. Thus in *Johnston v. Parker Savings Bank*, 101 Pa. St. 597, the holder of an overdrawn check left it with the drawee under agreement with the cashier to hold the check and pay it so soon as funds came in to the drawer's credit, not specifically appropriated. Large sums were subsequently deposited by the drawer, who, however, made special appropriation thereof by directing the payment of such deposits to third persons who held other checks to the exclusion of the payment of this particular check, which was finally returned to the holder unpaid. It was held there was no liability of the drawee to the holder. The court charged the jury that if there was any money not appropriated and the bank had assumed the duty of paying the check out of the drawer's funds and it failed to do so it would be liable. But the jury found that there were no unappropriated funds.

A situation might, however, present itself where a check was held over by the drawee awaiting collection in which a subsequent deposit would provide a sufficient balance, either to pay such check or to pay other smaller checks, independently presented at the same time. Here a question would arise as to the duty of the drawee as collecting agent to give preference to the

check held for collection and its liability to the holder if it failed to do so. So far as the drawer is concerned, the bank would have the option to pay either the larger check or the smaller ones; he could not complain, as all would be his genuine orders. But from the standpoint of the bank's duty as collecting agent for the holder there might be a possible liability in the event it paid the smaller checks.

Where a bank receives for collection a claim upon its own debtor the courts have differed as to whether it owes a superior duty to its principal or may give preference to the collection of its own claim. But in this case the bank has no claim of its own. In a New York case, where a bank received for collection a draft upon one of its depositors, which it collected and the proceeds were attached in its hands by the depositor because of a claim against its principal, the court said: "The defendant was the agent of the Bank of Commerce to collect the draft and to remit the proceeds. That duty was superior to any duty it bore to Klyce, its depositor * * *. It is a fundamental rule that an agent owes its principal diligence and good faith in respect to the property of the principal confided to its care." *Krafft v. Citizens Bank*, 124 N. Y. Supp. 214.

The question whether a drawee bank which receives for collection a check on itself is under a superior duty to the holder to pay and remit such check out of sufficient funds to the detriment of the independent holders of other checks presented at the same time which, if paid, would use up the balance, has never been decided. It would seem, however, that there might be a superior duty in such case, for the drawee as agent owes a duty of diligence to the holder, its principal, while it is under no duty to the independent holders of presented checks, and in paying the check held for collection in preference to the other checks it is violating no duty to the drawer, for as to him it has the freedom of choice.

To summarize:

1. It is clear that the holder of a presented check against insufficient funds has no lien or claim on the insufficient balance which remains available for the payment of smaller checks within the balance.

2. Where a check larger than the balance is entrusted to the drawee for collection with request to hold same a reasonable time and pay out of subsequent deposits, it is the duty of the latter to pay smaller checks within the balance, as the same are presented, and it has no right to refuse such checks to permit the balance to accumulate for payment of the larger check. It cannot be held liable in such case for breach of duty as collecting agent of the owner of the larger check. It is only when the balance does become sufficient and the check is still held for collection that it may be paid and remitted for.

3. But where a check is held for collection by the drawee at a time when the balance is sufficient and other checks are independently presented at the same time which would exceed the balance, there might be a liability to the holder if the drawee paid such other checks to the exclusion of the check which it holds as agent for collection.

Collection of Indorsed Bills Receivable from Maker Where Indorser Bankrupt

Where a bank holds notes indorsed by a bank which is in the hands of a receiver upon which the makers are not in position to pay at maturity and desire extensions, the proper course, instead of granting extensions, is to fix the liability of the indorser by demand and notice and hold the notes as past due paper, collecting from the makers as they are able to pay.

From North Carolina—A bank has failed and is in the hands of receivers. We hold their receivables rediscounted, indorsed by the bank, and also other receivables indorsed by the bank, which have been pledged with us as collateral to the bank note. These receivables mature and the makers are not in position to pay all of the notes, in some cases nothing, on maturing date. The makers of the note requested us to grant them extensions, in order to enable them to liquidate. If we agree to such extensions can a new note be executed and the receiver bind the bank that has failed, or if the note is not extended and we agree to give the maker time to pay it, does such agreement, whether the time specified is for a definite period or not, release the indorsers on the note? Our idea has been to suggest that the maker make payments on these notes just as fast as possible, letting the paper stand past due, and we saying that we do not anticipate the necessity for fore-

ing immediate collection of the paper, trusting that it can be worked out satisfactorily by the maker, making payments thereon as fast as possible.

Your bank holds certain notes indorsed by a bank which is in the hands of a receiver, upon which the makers are not in position to pay at maturity and desire extensions and the question arises as to the proper method of procedure.

Section 120 of the Negotiable Instruments Act provides that "a person secondarily liable on the instrument is discharged * * * 6. By any agreement binding upon the holder to extend the time of payment or to postpone the holder's right to enforce the instrument, unless made with the assent of the party secondarily liable, or unless the right of recourse against such party is expressly reserved." If, therefore, you extend the maker's time of payment for a definite period without consent of the indorser, the latter is released from liability and it is questionable whether the receiver would have power to consent to such extension without the authority of the court.

It would seem that a more practicable method is the one suggested by you, namely, to hold the paper as past due and use reasonable diligence in making collection from the makers as they are able to pay in whole or in part. It has been held in numerous cases that mere delay in enforcing the collection of a note after maturity will not discharge indorsers whose liability has become fixed. And even in states where statutes formerly existed requiring the holder of a note to prosecute the maker to insolvency in order to hold the indorser, it has been held that the provision of the Negotiable Instruments Law, making the indorser liable for the amount if the necessary proceedings on dishonor are duly taken, has the effect of repealing such statutes. *Williams v. Paintsville Nat. Bank*, 137 S. W. (Ky.) 535.

It would seem that your proper procedure therefore would be, at maturity of the notes in question, to fix the liability of the indorser by due demand and notice of dishonor and then to hold the notes as past due paper and collect from the makers as they are able to pay. Section 101 of the Negotiable Instruments Act provides that "where

a party has been adjudged a bankrupt or an insolvent, or has made an assignment for the benefit of creditors, notice may be given either to the party himself or to his trustee or assignee."

Accommodation Note by Mother for Son—Texas

Under the Texas statute a married woman cannot bind herself by a promissory note to secure the debt of another and therefore a note executed by a mother to secure an indebtedness of her son would not be binding upon her unless the mother is a widow, and then she can act as any other feme sole and bind herself upon such a contract—The competent maker of an accommodation note cannot plead want of consideration against a holder for value and under the Negotiable Instruments Act a pre-existing debt constitutes value.

From Texas—One A owes us some money. To better secure us and also to keep his loan from being legally excessive, he offers us a note signed by his mother. His mother is quite a large property owner and the suggestion has been made that if we accepted her note indorsed on the back by him that she could plead failure of consideration, if she were so disposed, and therefore defeat the payment of the note. I will very much appreciate it if you will advise us regarding this, for I am frank to say that I had not before been of the opinion that an accommodation note like this would be could be declared null and void.

The Texas statute provides: "Neither the separate property of the husband nor the community property other than the personal earnings of the wife, and the income, rents and revenues from her separate property shall be subject to the payments of debts contracted by the wife, except those contracted for necessities furnished her or her children; provided, the wife shall never be the joint maker of a note or a surety on any bond or obligation of another without the joinder of her husband with her in making such contract." *Vernon's Sayles Texas Civ. Stat.* 1914, Sec. 4624.

In *Noel v. Clark*, 25 Texas Civ. App. 136, 142, the court said: "A married woman cannot bind herself by a promissory note, unless the transaction comes within the exceptions of the statute which au-

thorizes her to contract. This has been the recognized law of this state since the cases of *Kavanaugh v. Brown*, 1 Texas 483 and 484, and *Hollis v. Francois*, 5 Texas 195. Subsequent to these decisions there have been a number of decisions construing the statute and holding the same doctrine, and it is too well understood to require citation of authority."

In *Haas v. American Nat. Bank*, 42 Texas Civ. App. 167, it was held that a purchaser of a promissory note executed by a married woman must take notice of her disability by coverture and of the existence or non-existence of the facts authorizing her, as such, to make the contract.

In *Burnham, etc., Co. v. Carter*, 52 Texas Civ. App. 294, 113 S. W. 782, it was held that a married woman is not liable on her promissory note given for a previous debt of her husband.

In *Hall v. Decherd* (Texas 1910), 131 S. W. 1133, it was held that a married woman is not liable on a note given by her for a piano, such note not being a debt incurred for necessities for herself or dependent children.

And in *Lily v. Yeary* (Texas 1913), 152 S. W. 823, it was held that a married woman has no power, except such as is given by statute, to bind herself personally by a contract.

In the case submitted, if the mother is still resting under the disability of coverture, she cannot become accommodation maker of a note for the benefit of her son, unless her husband joins with her in making the note. If, however, the mother is a widow, then she can act as any other *feme sole* and can bind herself by an accommodation note, either as maker or indorser. *Walker v. Stringfellow*, 30 Texas 570; *Clements v. Ewing*, 71 Texas 370; *Slator v. Neal*, 64 Texas 222.

Assuming in this case the mother is a widow (which fact you fail to state) and therefore not under disability to make an accommodation note, your letter suggests the question whether she can plead failure of consideration. The Negotiable Instruments Act expressly provides (Section 29) that an accommodation party, which includes the maker of an accommodation note,

"is liable on the instrument to a holder for value, notwithstanding such holder at the time of taking the instrument knew him to be only an accommodation party," and the act further provides (Section 25) that "an antecedent or pre-existing debt constitutes value." In the case stated, therefore, the note tendered would be good security if the mother is a widow; otherwise not.

Exchange of Securities

Where interim certificates are entrusted to a brokerage company for exchange into permanent bonds and the broker goes into the hands of a receiver, the trustee in bankruptcy acquires no title thereto, but the property belongs to the owner—A bank which acts as agent for the owner in entrusting securities to a broker for exchange is not liable for any loss sustained, provided it exercises ordinary care and diligence.

From California—We forwarded to X Company, Inc., at Portland, Ore., who have recently gone into the hands of a receiver, two \$1,000 interim certificates of the Province of Manitoba, to be exchanged into permanent bonds, we having originally made the purchase through this company. Will X Company include our interim certificates (which were issued by the Provincial Government and not by X Company) in their assets or would the receiver throw this aside as our separate property held by them pending exchange?

Also give us your legal advice as to whether the bank or its customer should bear the loss in this connection. The bank took a verbal order from its customer to secure these bonds and temporary provincial certificate in one case was handed to the customer, who afterwards surrendered same, which we forwarded to be exchanged for permanent bonds. In the other instance by verbal arrangement the bank ordered a \$1,000 bond and received the interim certificate of X Company, which it still holds.

1. It would seem in this case that the interim certificates were only entrusted to the brokers as agents of the bank for the purpose of having them exchanged for permanent bonds, and the rule is well settled that a trustee in bankruptcy does not acquire title to property held by the bankrupt as a mere bailee, or agent of another. *Thomas v. Field-Brundage Co.*, 215 Fed. 891; *In re Wright-Dana Hardware Co.*, 211 Fed. 908; *In re Smith*, 192 Fed. 574; *In re Taft*, 133 Fed. 511. See

also *Ludvig v. American Woolen Co.*, 231 U. S. 522.

2. Concerning the relation of the bank to its customer, it would seem that here also the bank acted as agent for the customer and that the loss, if any, would fall on the customer. The well-recognized rule of agency is applicable that an agent is required only to exercise ordinary care, skill and diligence, and if he does so will not be liable for losses which the principal may sustain. *Stemberry v. Moore*, 56 Ill. 472; *Hurley v. Packard*, 182 Mass. 216; *Page v. Wells*, 37 Mich. 415; *De Bavier v. Funke*, 142 N. Y. 633; *Betts v. Cralle*, 1 Munf. (Va.) 238.

Trade Acceptance Payable at Bank

Where the drawee of a trade acceptance makes it payable at bank it is equivalent (except in certain states) to an order to the bank to pay and there is no need of express instructions as a prerequisite to payment—A bank which refuses payment, having sufficient funds of its customer, would be liable to him for injuring his credit.

From Florida—We would like to know the liability of the bank where a draft drawn on a customer of the bank has been accepted by the drawee and payable at the bank and when the drawee has sufficient funds on deposit in the bank at the time to pay the draft, and the payment of the draft is refused by the bank on account of no instructions from the acceptor. What we have particularly in mind is a trade acceptance.

When the drawee makes his trade acceptance payable at the bank it comes under the rule of Section 87 of the Negotiable Instruments Act that "Where an instrument is made payable at a bank it is equivalent to an order to the bank to pay the same for the account of the principal debtor thereon." There is, therefore, no need of express instructions from the acceptor as a prerequisite to payment and the bank should make payment at maturity the same as it would make payment of the drawee's check. Where the bank refuses payment, having sufficient funds, its liability to the customer would be the same as where it refused to pay his good check, namely, it would be subject to an action for damages for injury

to credit by reason of wrongful dishonor. There would be no liability of the bank to the holder of the instrument, but only to the customer.

In a few states (Illinois, Nebraska, South Dakota, Kansas and Minnesota) the rule of Section 87 of the Negotiable Instruments Act does not prevail.

National Bank as Attorney in Fact

A national bank has no power to act as agent or attorney in fact for another if the transaction is foreign to the business for which the bank was created, but it may so act if the transaction is incidental to its business.

From Indiana—First: Has a national bank the right to act as an attorney in fact for an individual owning both personal and real estate, and if so, and as such, is there any reason why a national bank could not make transfer of personal property and conveyance of real estate without clouding the title, assuming, of course, that the person appointing the attorney in fact properly bestows upon the national bank full authority, etc.?

Second: Has a national bank the right to act as receiver where real estate as well as personal property is involved?

A national bank has no power to act as agent or attorney in fact for another if the transaction is foreign to the business for which it was created. Thus, it has been held that neither a national bank nor a savings bank can act as agent or broker in buying and selling bonds and stocks on commission. *Farmers' & Merchants' Nat. Bank of Fremont v. Smith*, 77 Fed. 129; *Jemison v. Citizens' Sav. Bank of Jefferson*, 122 N. Y. 135, 9 L. R. A. 708, 19 Am. St. Rep. 482, 25 N. E. 264; *First Nat. Bank of Allentown v. Hoch*, 89 Pa. St. 324, 33 Am. Rep. 769.

But a national bank may act as agent or attorney in fact for another if the transaction is incidental to its business. Thus, the power to collect commercial paper is implied under a charter to do a general banking business. *First Nat. Bank v. First Nat. Bank*, 22 So. (Ala.) 976. And it has been held that collecting commercial paper is part of the regular business of a national bank. *Mound City, etc., Co. v. Commercial Nat. Bank*, 9 Pac. (Utah) 709. It has also been held

that a national bank may, as an incident to its power to collect a debt due it and for which it holds notes of the debtor as collateral, act as the debtor's agent in selling the notes. *Anderson v. Grand Forks First Nat. Bank*, 5 N. D. 451, 67 N. W. 821. Again, it is competent for a national bank to act as agent of the grantor in the receipt of a deed for delivery to the grantee upon payment by the latter of a specified sum and to charge a commission for its services. *Porter v. Packers' Nat. Bank*, 145 N. W. (Neb.) 255.

Whether, therefore, a national bank is competent to act as attorney in fact for an individual will depend upon whether the transaction is of such a nature as to be incidental to its business. While it would not be within the power of a national bank to buy and sell goods as a merchant, it would probably be within its power, if a customer was indebted to it, to act under power of attorney to sell and transfer the property of the customer for the purpose of applying the proceeds upon his indebtedness. Whether, if the owner of personal property was not indebted to it, a national bank would have capacity to act under power of attorney to transfer his personal property for a commission may be doubted. The same is true as to a conveyance of real estate. While it is lawful for a national bank to receive from the grantor and deliver to the grantee a deed of real estate upon receipt of the purchase price and charge the grantor a commission for such transaction, I doubt if it would be competent for a national bank to act as attorney in fact under power of attorney which authorized it to execute a deed of the property of the constituent. I know of no decision in which such a question has been passed upon, but think it might be held that a national bank is without power to make such a conveyance of real estate.

You further ask whether a national bank has the right to act as receiver where real estate as well as personal property is involved. Section 11 (k) of the Federal Reserve Act authorizes the Federal Reserve Board to grant by special permit to national banks applying therefor, where not in contravention of state or local law, the right

to act as "receiver" in addition to other fiduciary capacities, and this grant of power would seem to be broad enough to cover both receiverships of real estate and of personal property. The Federal Reserve Act provides that whenever the laws of the state authorize or permit the exercise of the powers granted by state banks, trust companies or other corporations which compete with national banks, the granting to and the exercise of such powers by national banks shall not be deemed to be in contravention of state or local law within the meaning of the act.

Bond of Indemnity for Duplicate of Lost Certified Check

Where a certified check payable to C is lost in the mail and does not reach C, according to his statement, the bank, before issuing duplicate to C, is entitled to a bond of indemnity against the risk that the check has been indorsed by C for value or may thereafter be received and negotiated by him.

From Missouri—Your opinion is requested on the following case: A, who is executor of the will of B, deceased, mailed a receipt to C for his full distributive share of said estate, advising him to sign the same and return it to this bank, whereupon he would remit the money to him. The receipt was received by this bank on November 20, 1920, and check was delivered to us by A, payable to C, or order, for the amount due on said receipt. We certified this check and mailed it to C, who now advises us that the same has not as yet been received by him. The letter was mailed in an envelope bearing our return address, and as yet we have not received the same back. C wants us to mail to him a duplicate check. What can we do in the matter to pay C his money and protect ourselves against the

possibility of having to pay the first check, which is certified?

I think in this case the bank is entitled to a bond of indemnity by C to protect it against loss as a prerequisite of issuing a duplicate check.

The check was payable to C and mailed to him. C advises it has not been received. No one but C could negotiate this check. But there is the possibility that C may have received same and indorsed it for value; or even if C had not received same and should make an affidavit to that effect, there is the possibility that he may hereafter receive same and negotiate it for value. Against such danger, I think the bank is entitled to be protected by bond of indemnity and that C should have no objection to furnishing such a bond, as nobody but himself could negotiate the check.

There have been decisions to the effect that where an instrument is lost by the payee and the same has not been indorsed he can recover thereon without tendering indemnity. But there are also decisions the other way, and in a dissenting opinion in *Citizens National Bank v. Brown*, 45 Ohio St. 39, in which the first stated rule was maintained, Spear, J., said:

"Nor can the case of the defendant in error be maintained upon the claim and finding that the certificate was unindorsed at time of alleged loss. The record in this case binds none but the parties to it. It is possible, we need not say probable, that the certificate may have been indorsed for value by the payee before loss. If so, the holder could recover and payment to Brown would not furnish a shadow of a defense."

A New Beginning

A NEW broom sweeps clean. We get tired of old surroundings, old acquaintances, old routine. If we only had something new we could tackle it with so much more spirit. Well, the Creator knew this when He made us. And so He arranged that we should do our work one day at a time. Every morning is a new beginning. Every night we are let down into the bath of death, that is, we are plunged into sleep for

a number of hours. During this period of unconsciousness the unseen forces of nature are repairing the waste of body and brain. When we awake we are practically newborn persons. Every morning is a resurrection. Let us make the morning last in us as long as possible during the day, and if we cannot keep morning hands and feet, let us at least keep our morning spirit.—*After Three O'Clock.*

Adjustment of Railroad Operating Expenses

By ROBERT S. BINKERD

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THE railroads in general entered the period of Federal control as solvent organizations and emerged from it virtually bankrupt. This was directly due to the effort during Federal control to make a 30 per cent. increase in rates cover more than 100 per cent. increase in wages. The following table is significant:

Return on Railroad Investment

Year Ended June 30	Property Investment	Railway Operating Income	Return on Investment (P. C.)
1910....	\$14,557,816,099	\$826,466,756	5.68
1911....	15,612,378,845	768,213,345	4.92
1912....	16,004,744,966	751,266,806	4.69
1913....	16,588,603,109	831,343,282	5.01
1914....	17,153,785,568	705,333,489	4.12
1915....	17,441,420,382	727,546,101	4.17
1916....	17,689,425,438	1,043,017,290	5.90
Dec. 31			
1916....	17,842,776,668	1,100,545,422	6.17
1917....	18,574,297,873	986,819,181	5.31
1918....	18,984,756,478	682,546,759	3.60
1919....	19,272,911,023	509,601,118	2.64
	Tentative Valuation Used by the I. C. C. for Rate-Making Purposes	Net Railway Operating Income	Rate of Return (P. C.)
1920....	\$18,900,000,000	\$62,264,421	0.33

The net operating income for 1920 (\$62,264,421) included \$55,000,000 received from back mail pay, so that the roads earned approximately only \$7,300,000 during the year. This amount was insufficient by hundreds of millions to meet interest charges amounting to \$475,000,000, rents for lease of roads totaling \$225,000,000, besides miscellaneous other deductions. The only thing that saved the railways from bankruptcy was the government guarantee in effect during the first eight months of the year.

Expenses in 1920 absorbed 93.59 per cent. of the operating revenues of the American railroads compared with a percentage of 85.25 for 1919.

Wage and Material Costs

The wage bill in 1920 was \$3,700,000,000, or an increase of 176 per cent. over 1913, while the money expended for materials and supplies, fuel, loss and damage to freight, damage to property, personal injuries, etc., totaled \$2,126,000,000, or an increase of 155 per cent. over the same year.

The January and February earnings statements of the leading roads, now being filed with the Interstate Commerce Commission, show a progressive tendency along the path of financial deterioration.

The foregoing table showing annual return on railroad investment for the past eleven years proves that the railroads did not "profiteer" during the war and after-war periods. On the contrary, their return steadily declined, while the earnings of their employees were mounting by no less than \$2,000,000,000 in three years. This increase in pay-roll was to compensate for increase in the cost of living. But the railroad investor not only was compensated in the same depreciated dollar that the working man found to be worth only fifty cents in purchasing power, but the investor received fewer dollars. Railroad dividends declined from an aggregate of \$320,395,000 in 1917 to \$278,000,000 in 1920. It was in this same period that railroad wages increased from \$1,739,482,000 to \$3,600,000,000.

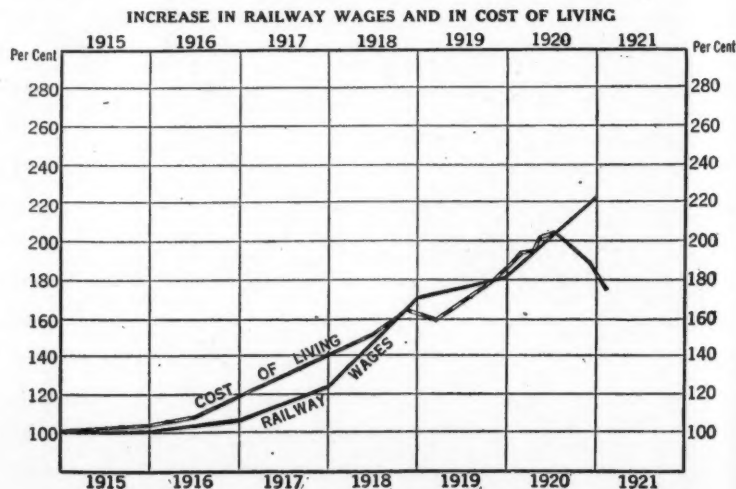
The depression in business which became acute in the fall has resulted in a decrease of car loadings at roughly about 30 per cent. Inasmuch as the highest traffic on record was carried under the same schedule of freight and passenger

rates in September and October, the cause cannot all be assigned to the high level of rates. It is probably true in certain classes of goods that no conceivable low freight rate would by reason of the lack of demand for the product result in any freight movement.

Program of Economies

The railroads foresaw this condition early last year and began a program of economies and at the same time a program of increased efficiency in the hope of meeting it. Intensive study has been put in in the matter of fuel conservation. Extraordinary efforts were made to get cars back on all home lines, as well as to get cars and locomotives in good order. The situation, nevertheless, continued to grow more serious.

In these economic conditions, which are the direct result in the main of the reaction due to the war, the sole effective measure of relief lies in the reduction of operating expenses. To this end the railroads took their case to the United States Railway Labor Board. The Labor Board was set up by the Transportation Act for the purpose of determining just and reasonable wages, rules and working conditions. The board established new scales of wages in July, retroactive



to May 1, but the matter of rates and working conditions was not considered until the session still continuing, which began on January 10.

Five National Agreements

Without bringing up for consideration at that time the question of basic rates or wages, the railroads sought the abrogation of the so-called "national agreements," rules and working conditions. These had been entered into not between the railroads and their employees, but between the Federal administration and the unions. There are five national agreements and eleven other sets of rules and working conditions. The railroads sought the abrogation of these rules and introduced testimony of thousands of instances imposing unwarranted expense upon the roads. Under the Federal administration piece work had been abolished. Under these rules and regulations men could not be employed upon car repair work without four years' experience upon car repair work. Under these rules frequently several highly paid skilled men were required to do the work which one man had easily done before.

The roads made application on January 31 for immediate abrogation of the rules on the prima facie case which they had established and a remanding of the matter to the individual roads for working out

with their men working conditions and rules which would apply to the particular road and the circumstances surrounding its operation.

When the Railway Labor Board found it impossible to take this immediate action the railroad labor situation entered upon a new phase. This, in short, was the consideration of the justness and reasonableness, in view of the general economic situation, of basic wages themselves. The railroads at the present time, each road acting individually, are proceeding along the lines prescribed by the Transportation Act, as follows:

(1) They gave notice to the employees of a proposed new scale.

(2) They met their employees or their representatives in conference over the proposed scale.

(3) In case of failure to agree on the proposed scale the matter then goes back to the Labor Board for decision.

In a few cases where conferences have already been held reductions have been accepted. In most cases, however, reductions proposed have been, or it is assumed will be, opposed, and in these cases the matter in dispute will be before the Railway Labor Board for adjudication.

What to Consider

In the Transportation Act it is provided that:

"In determining the justness and reasonableness of such wages and salaries or working conditions the board shall, so far as applicable, take into consideration among other relevant circumstances:

(1) The scales of wages paid for similar kinds of work in other industries;

(2) The relation between wages and the cost of living;

(3) The hazards of the employment;

(4) The training and skill required;

(5) The degree of responsibility;

(6) The character and regularity of the employment; and

(7) Inequalities of increases in wages or of treatment, the result of previous wage orders or adjustments.

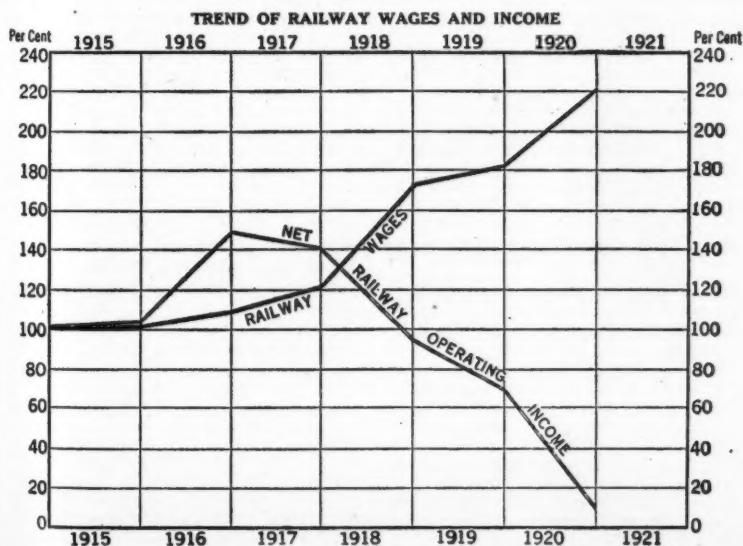
The railroads are prepared to show what is a matter of common knowledge, that wages in all industries are tending downward and that the cost of living has been materially reduced.

In the first years of the war it is true that the increase in railroad wages did not keep pace with the increase in the cost of living, but from 1918 onward the increase in railroad wages has exceeded the increase in the cost of living, and in January of this year, with railroad wages 130 per cent. higher than they were in 1915, the cost of living was but 80 per cent. higher than it was in 1915, and was steadily declining.

Cost of Living Figures

Based on the cost of living figures issued by the Bureau of Labor, railroad wages are even more in excess of increase in living costs, as shown by the following table, which gives the percentages of increase over 1914:

Year	Per Cent. Increase in Average Wage Over 1914	Per Cent. Increase in Cost of Living Over 1914
1915.....	1.83	2 (Dec.)
1916.....	9.31	15 (Dec.)
1917.....	23.04	32.2 (Dec.)
1918.....	73.89	69.3 (Dec.)
1919.....	81.74	93.5 (Dec.)
1920 (before wage award).....	121.32	113 (June)
1920 (after wage award).....	134.07	94.5 (Dec.)



Effect on Competing Industries

An important fact bearing upon the general economic situation and the necessary readjustment of labor costs today is that wages in practically every other industry have been showing a progressive decline since last September, following business depression and price recessions. The full scope and extent of these reductions thus far are not known in complete detail, but industries which are in competition with railroads for labor are seriously handicapped by a fixed scale which railway labor can get and which the competing industry cannot afford to pay. This is particularly a serious situation with the farmer.

While the process of readjustment may be unduly and unfortunately protracted, it is nevertheless my belief that the common sense of American public opinion will insure, eventually, a proper outcome. It must be borne in mind that the

railroads came out of the war with rigid and uniform working conditions, substantially rigid and uniform wages and with the most rigid rate structure in the history of the country, three blanket increases in rates having been spread over the original and more normal rate structure.

What the Roads Want

In the interests of efficient and economical operation the railroads are now engaged in making every effort to break away from these conditions. They are seeking to have the rigid and uniform rules and working conditions terminated and to again have the working conditions on the railroads vary in accordance with their differing needs and with the character and resources of the various parts of the country which they serve. A large majority of the railroads are also seeking to get away from the high and practically uniform wage struc-

ture and are seeking wage reductions in accordance with the decline in the cost of living and the special circumstances of their particular territories.

The labor cost of railway operation today constitutes over 60 per cent. of the total cost, and the indirect labor cost still experienced in the high cost of fuel and in material and supplies is also in part due to unliquidated labor costs in other industries.

The labor cost of railway operation grew from approximately \$1,700,000,000 in 1917 to approximately \$3,700,000,000 in 1920. Direct and indirect labor costs consume more than the total increase on gross revenues of the railroads during the period of Federal control. The direct and indirect labor cost of railway operation today exceeds the total gross revenues of the railroads in 1917. In general, the labor cost of transporting any commodity today equals or exceeds the total rate in 1917.

State Bank Trust Powers

THE State Bank Division of the American Bankers Association is on record as advocating legislation in all states that will permit state banks to perform the same trust functions as national legislation has conferred upon national banks. In this connection, however, the State Bank Division has taken the position that no bank, state or national, should presume to do a trust business unless it is suitably equipped for such purpose. In an interesting article in the *Michigan Manufacturer and Financial Record*, John N. Stalker, vice-president of the Union Trust Company of Detroit, says in part:

"The trust business, particularly in some of its branches, is extremely technical. The requirements which make a capable and successful country banker are by no means necessarily the qualifications which make a capable and successful trust officer. The training which qualifies the staff of a bank efficiently and capably to handle its business would not ordinarily fit it to handle the legal accounting which trust administration involves.

"The present record of trust administration in Michigan by trust companies is one of which these companies are very proud and of which they are properly jealous. They do not particularly fear the loss in business which may result from banking competition, but they are frankly apprehensive of the conse-

quences if complicated trust work should be undertaken by small banks not equipped to handle it. They feel that the entire corporate administration of trusts would be discredited under those circumstances and that they would be the chief sufferers. As far as the question of competition is concerned, they believe that the educational work which the state banks would carry on in the direction of teaching the people to appreciate the value and economy in corporate administration of trusts would more than compensate for any direct loss of patronage. These companies, while believing that their view is the broad and progressive one, make no pretense of altruism, therefore, in welcoming the state banks into the trust field under proper regulation, and frankly admit that their desire to save the state banker from losses and unprofitable business in this field, while it is partly, is by no means wholly, out of consideration for the banker's own interest.

"These trust companies further feel that while, as far as is known, none of them contemplate actively embarking in the field of commercial banking, nevertheless equity and fairness demand that with state and national banks both authorized to do a trust business they should under suitable regulation be permitted the reciprocal right of doing a banking business.

"With the foregoing ideas in mind, representatives of some of the more prominent trust companies met with the sponsors of the bill recently introduced in the Michigan state legislature and agreed on a measure acceptable to both interests, which is believed to be a sound and constructive piece of legislation. This bill provides that, with the approval of the Banking Department, state banks with a capital and surplus of \$150,000 or over may open trust departments and enter upon the transaction of a general trust business; that banks with a lesser capital shall be limited in the exercise of trust powers to the administration of the estates of deceased persons, either as executor or administrator. Trust companies, on the other hand, are given banking powers, provided they observe, as regards their banking departments, the sound regulations which are now found in our Banking Law.

"It is no longer profitable to discuss the question as to whether the limitation of particular banking and trust functions to particular classes of corporations is desirable. The entire field is already open to national banks. The question now appears to be: Are our state institutions to be given the same privileges as the Federal institutions with which they compete?"



RECENT DECISIONS



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TYPEWRITTEN INDORSEMENT IS GOOD—UTAH

The Supreme Court of Utah stated: "We have no doubt as to the validity of a typewritten signature to an indorsement or delivery is made by the payee, or one having authority," notwithstanding the statutory provision that "the indorsement must be written on the instrument." In the particular case, however, it did not appear "that the indorsement was made or the check delivered by the payee, or anyone having authority," and consequently it was held that the purported indorsement was a nullity. *Pingree Nat. Bank v. McFarland*, 195 P. 313.

FAILURE OF TRUST COMPANY TO NOTIFY SURETY COMPANY OF FACTS RENDERING BONDED EMPLOYEE UNWORTHY OF CONFIDENCE RELEASES FROM LIABILITY FOR SUBSEQUENT DEFALTS—NEW JERSEY

The bond issued by a surety company to a trust company bonding the treasurer of the latter provided that the trust company should give immediate notice to the surety company of any information coming to the knowledge of the trust company or any officer, tending to indicate that the bonded employee was unworthy of confidence and that the failure to give such notice should exempt the surety company from liability for future acts of the employee. The court held as a matter of law that notice should have been given of an unauthorized loan by the treasurer to a friend, which he undertook to conceal by not entering the transaction in the books of the trust company, which constituted a criminal offense. The necessity of giving the notice was not obviated by the promise of the treasurer not to repeat his offense, and the surety company was held exonerated from liability for future defalcations. *Roseville Trust Co. v. National Surety Co.*, 112 Atl. 337.

RECENT UNEXPLAINED POSSESSION OF STOLEN LIBERTY BONDS AUTHORIZES CONVICTION OF BURGLARY AND LARCENY—ILLINOIS

The court in sustaining a conviction of burglary and larceny in connection with Liberty bonds taken from the First National Bank of Marissa, Ill., stated that "the recent and unexplained possession" of stolen property "tends to establish the guilt of the person in whose possession the same is found, and is sufficient, of itself, to authorize a conviction unless the inference of guilt thereby raised is overcome by other facts and circumstances in evidence which create in the minds of the jury a reasonable doubt of such guilt." In the particular

A signature or indorsement on a check is none the less valid if written on a typewriter. It must be remembered, however, that such typewriting should be done by one having authority.

Where a trust company employs a treasurer who is bonded it must comply with the terms of the bond, which require immediate notice of his defalcation; otherwise the surety company is exempt from liability for future acts of the employee.

The recent unexplained possession of stolen Liberty bonds authorizes conviction of burglary and larceny.

In Florida the Checks Without Funds Statute has been held constitutional.

In an Oregon case the rule has been followed, as in many other cases, that indorsement of a check by an impersonator is not a forgery, but by the precise person intended by the drawer to receive the money.

A "cashier" will be interested to learn that he cannot be designated as a "clerk." There is a legal distinction between the terms.

The power of a state banking board cannot be treated too lightly. In granting bank charters its orders will be upheld by the court provided it does not abuse its discretion.

The use of post-dated checks seems to be quite common. However, it must be remembered that the Bad Check Law does not apply to such checks, nor does this law apply to a check given for a past due debt.

In an Iowa case the acceptance and certification of a check by telegram has again been held valid. It is necessary, however, that such acceptance shall refer to a specially described check.

The fact that an association did not object for a year gives its treasurer authority to draw its checks.

Under the Federal Uniform Bills of Lading Act a carrier is justified in innocently surrendering goods to a person wrongfully in possession of the bill of lading, providing it is an order bill.

case the attempted explanation by the accused of the possession of the stolen bonds was very unsatisfactory. *People v. Weisman*, 129 N. E. 689.

"CHECKS WITHOUT FUNDS" STATUTE CONSTITUTIONAL—FLORIDA

The Supreme Court of Florida held with practically no discussion that the "Checks Without Funds" statute of that state was constitutional. *McQuagge v. State*, 87 So. 60.

CHECK DELIVERED BY DRAWER TO IMPERSONATOR AT HIS RISK—ARKANSAS

One Cureton drew checks payable to A. J. Carmon and delivered them to H. V. Carmon, thinking that he was A. J. Carmon and intending that the person receiving the checks should receive the proceeds therefrom. H. V. Carmon obtained money or property on them from various transferees, and in a single case without indorsing the check. The checks were presented at the drawee bank and paid. Neither it nor the original transferees made any effort to have H. V. Carmon identified as A. J. Carmon. The court held that the drawer Cureton would have to stand the loss, whether or not he was negligent in not identifying the person with whom he was dealing. *Land Title & Trust Co. v. Northwestern Nat. Bank*, 196 Pa. 230, 46 Atl. 420. It was immaterial that in one case the check was delivered without indorsement by H. V. Carmon to the person cashing it, for this delivery passed title. *Cureton v. Farmers' State Bank*, 227 S. W. 423.

CASHIER IS NOT A "CLERK"—TEXAS

Proof that a person accused of embezzlement was the "cashier" of a corporation will not sustain an indictment alleging the commission of the crime by him as "clerk." The court stated that there was a clear distinction between the two terms and compared the definitions of "clerk" with the following definitions of "cashier": "One who is a custodian of money, especially one who has charge of receipts, disbursements, cash on hand and ordinary financial transactions of a bank or mercantile house or the like." "One who has charge of money; a cashier; the officer who has charge of the payments and receipts of money of a bank or mercantile company." *Standard Dictionary*. *Miller v. State*, 225 S. W. (Cr. App.) 379.

COURT REVIEW OF DENIAL BY STATE BANKING BOARD OF APPLICATION FOR BANK CHARTER—NEBRASKA

The Banking Board of Nebraska denied an application for a bank charter because of protests concerning the in-

tegrity and responsibility of the applicants.

The court held that "where it appears that the State Banking Board has acted within its jurisdiction, and that all the jurisdictional facts essential to uphold its final order are sustained by some evidence competent for that board to consider, its order will be upheld" by the courts. "Where it is clear that there has been no abuse of discretion, this court will not substitute its judgment for the findings made by" the Banking Board. *In re Commercial State Bank of Scottsbluff*, 179 N. W. 1021.

"CHECKS WITHOUT FUNDS" ACT NOT APPLICABLE TO POSTDATED CHECK—ARKANSAS

The "Checks Without Funds" Act does not apply to postdated checks. "The purpose and intent of the act was to prevent one from defrauding another by negotiating checks without funds in the bank upon which drawn to pay same. The giving of a postdated check implies a promise to deposit money in the bank at a future time to pay the check, and there is nothing in the act which makes it unlawful to promise and fail to pay at a future date." *Smith v. State*, 226 S. W. 531.

"CHECKS WITHOUT FUNDS" ACT NOT VIOLATED BY CHECK ISSUED FOR PAST-DUE DEBT—NEW MEXICO

It is not a violation of the "Checks Without Funds" Act for one to issue a check in payment of an outstanding account where credit is not given on the strength of the checks. "There can be no intent to defraud, which is the gist of the offense. A check so given in payment of the account does not pay the account until the check is paid, and as nothing of value is obtained in such a case, or could be obtained, there could be no such fraudulent intent." *State v. Davis*, 194 P. 882.

TELEGRAM THAT BANK "WILL HONOR" CHECK BINDING ON IT—IOWA

In reliance on a telegram from the defendant drawee bank that it "will honor W. J. Croke check \$1350.00" plaintiff bank cashed the check, which, however, was protested for insufficient funds. "Plaintiff is entitled to recover on defendant's promise to honor and pay the check, even though it was not strictly and technically an acceptance or certification." *Midwest Nat. Bank & Trust Co. v. Niles & Watters Sav. Bank*, 180 N. W. 880.

AUTHORITY OF TREASURER OF ASSOCIATION TO DRAW CHECKS—MASSACHUSETTS

A bank was held justified in assuming that the treasurer of an association had authority to draw checks on its account where for the period of a year it made no objection to the payment of checks drawn by him and his successor. *Maderian Alliance Protective Assoc. v. Lowell Trust Co.*, 129 N. E. 440.

DELIVERY BY CARRIER TO PERSON WRONGFULLY IN POSSESSION OF ORDER BILL OF LADING WITHOUT REQUIRING SURRENDER OF BILL—UNITED STATES

The purchaser of goods, which were consigned to the shipper's order, wrongfully obtained possession of the bill of lading, which was indorsed in blank by the shipper, and the carrier delivered the goods to him in good faith without requiring the surrender of the bill of lading. Subsequently the shipper reimbursed the collecting bank, obtained the bill of lading and sued the carrier for conversion. The court held that under the Federal Uniform Bills of Lading Act the carrier was justified in delivering the goods to the "person in possession of an order bill for the goods . . . which has been indorsed to him or in blank by the consignee." As to the failure to require the surrender of the bill of lading the court said: "There is no exoneration where loss to shipper or subsequent purchaser of the bill results from such a failure; but where the loss suffered is not the result of the failure to take up the bill the mere failure to take it up does not defeat the exoneration." The carrier was held protected in the particular case, as the loss was not due to its omission. The shipper could not be considered a bona fide purchaser of the bill of lading protected by the uniform act as against a delivery without the requisite surrender. *Pere Marquette R. Co. v. French & Co.*, 41 Sup. Ct. 195.

MAKER NEGOTIATING NOTE TO PAYEE IS LIABLE THOUGH HE DID NOT SIGN IT—GEORGIA

"Where one purporting to be the maker of a promissory note negotiates it for a money consideration with the payee named therein, the note will be considered as the act and deed of the alleged maker, although he did not in fact sign the note. Under such evidence a plea of *non est factum* is not sustained." This is the entire opinion on the particular point. *Bank of Madison v. Cochran*, 105 S. E. (Ga. App.) 626.

WHAT CONSTITUTES ACCEPTANCE OR PAYMENT OF CHECK?—CALIFORNIA

A drawee bank rejected checks, after it had given money or credit for them at the clearing house, for a reason which was patently based on a mistake of fact. Thereafter the presenting bank gave its check to the drawee bank for the amount of the checks. When the error was discovered the presenting bank was told orally "to put the checks through the clearing house again"; thereafter they were again rejected because of the death of the drawer. Still later the drawer's account was charged with their amount. The court held in a suit by the administrator of the drawer that the bank was not entitled to credit for the amount of the checks so paid; the charging of the amount after knowledge of the death of the drawer was ineffectual; the original transaction at the clearing house did not constitute payment; the effectiveness of the refusal to pay was not impaired by the mistake of fact; that the present-

ing bank issued its own check to the drawee by way of reclamation, thus in form making a "repayment" was immaterial; the oral direction to present the checks through the clearing house again did not constitute an agreement to pay or amount to actual payment. *Sneider v. Bank of Italy*, 194 P. 1021.

BLUE SKY LAW INAPPLICABLE TO UNINCORPORATED TRUST COMPANY. WHAT CONSTITUTES TRUST COMPANY? OREGON

The Superior Oil & Refining Syndicate, a common-law business syndicate organized under the laws of Texas for the purpose of making brick and refining crude petroleum and disposing of the products, sought for a permit from the corporation commissioner of Oregon to sell in that state what it denominated its capital shares or certificates, under the theory that the Oregon Blue Sky Law applied to it. The court thoroughly considered the nature of the syndicate and stated, among other things, that after the proceeds of the certificates have been received and "after the same have been invested in property . . . the association in its 'articles' declares that the same 'shall be taken and held in its name for the use . . . of the shareholders of said syndicate.' The legal title to all such property of the syndicate is vested 'in the trustees, who have absolute power over same, etc.'" It was held that such syndicate came within the exception to the Blue Sky Law relating to "trust company stock," and that the syndicate in order to do business in Oregon would have to comply with the statutory provisions relating to foreign trust companies, which provisions were not limited to statutory trust companies but included common-law trusts. *Superior Oil & Refining Syndicate v. Handley*, 195 P. 159.

Business Changes

The stockholders of the General Motors Acceptance Corporation have elected the following directors: Curtis C. Cooper, Albert L. Deane, Irene du Pont, Lamot du Pont, Pierre S. du Pont, Paul Fitzpatrick, J. Amory Haskell, John J. Raskob, John J. Schumann, Jr., Alfred H. Swayne. The new board of directors have chosen the following officers: Alfred H. Swayne, chairman of the board; Curtis C. Cooper, president; John J. Schumann, Jr., vice-president; Albert L. Deane, vice-president; Donald M. Spaidal, vice-president; James H. McMahon, vice-president; Reune Martin, treasurer; George H. Bartholomew, secretary. F. Stanley Parson was re-appointed auditor and Livingston L. Short was appointed counsel. J. Amory Haskell remains a director, but has retired as president because of pressure of other duties as vice-president of the General Motors Corporation in charge of operations. Paul Fitzpatrick remains a director, but retires as vice-president, having been recently elected vice-president of General Motors Export Company.



TRUST COMPANY DIVISION



Do You Know How to Settle an Estate?

Under the above heading the Equitable Trust Company, Wilmington, Del., has published a list of forty-one items necessary for an executor to consider in connection with the settlement of an estate. The subject matter of the circular, which is well worth the consideration of all corporate fiduciaries, reads as follows:

If you were appointed executor under a will would you know just how to proceed to comply with the wishes of the person making the will and the requirements of the laws of Delaware?

If you are not experienced in this work you would be at a loss to know just what to do. For the same reason if you have named a relative or personal friend as executor of your will, that relative or friend would probably be just as unfamiliar with the requirements as you now are.

Do you know that many business and legal steps must be taken before an estate is properly settled and disposed of according to the wishes of the person making the will and the laws of the state?

For instance, the following are just a few of the duties performed by this company when acting as executor under a will:

1. Our trust officer must offer the will for probate to the register of wills within ten days after the date of the death of the person making the will.

2. The trust company must furnish a bond to guarantee the faithful performance of the duties of executor.

3. Our trust officer must notify all interested parties and furnish copies of the will if desired.

4. Our trust officer must prove before the register that the will was duly executed and properly witnessed, by producing the witnesses if then living, or by proving the handwriting of the signatories if the witnesses are dead.

5. Trust officer must secure copy of the petition to the register for our files.

6. Trust officer must secure letters testamentary from the register as our authority to act as executor.

7. Certified copy of the will must be secured for the files of the executor.

8. Trust officer must have appraisers appointed to appraise and inventory the estate.

9. Trust officer must assume possession of all safe deposit boxes and all valuable papers.

10. Have all securities and all other personal property appraised and listed. Also in certain instances the real estate must be appraised as well.

11. Trust officer must assume possession of all other property of every description.

12. Check up balances in all banks.

13. Verify names, addresses and relationship of all beneficiaries under the will.

14. Determine if inheritance taxes are due and when payable.

15. File proper return, if necessary, with the Collector of Internal Revenue for payment of Federal estate tax. Also return of income received by the decedent during the current year.

16. Make prompt payment of such tax if any is to be paid, so that penalties may be avoided and discount secured if any is to be allowed.

17. File proper return, if necessary, with the register of wills for payment of state inheritance tax.

18. Make prompt payment of such tax, if any is to be paid, so that penalties may be avoided and discount secured, if any is to be allowed.

19. Determine if any beneficiaries reside outside the state and if inheritance taxes are due their state. This frequently involves the preparation of many detailed reports.

20. Arrange with the register of wills for advertising for debts due from the estate. This includes posting of notices as required by law within forty days after the death of the person making the will. Debts due to the estate must be collected by due process of law if necessary.

21. Pay all just debts when properly probated and presented, having due regard to priority of the claims. Care must also be had in the case of insolvent estates that no bills are paid with which the executor might be charged back.

22. Determine the nature of all other obligations due either to or from the estate.

23. Determine the disposition of household goods, jewelry, etc., under the will.

24. Determine when partial or entire payment of legacies may be made, after estate is advertised for debts.

25. Verify trust clauses, if any are in the will, and proceed accordingly.

26. Verify all life insurance policies made payable to the estate.

27. Verify income from all sources.

28. Verify amount of Federal, state, county, town and school taxes due and unpaid for present and previous years.

29. Verify all liens or other obligations standing against the property and proceed accordingly.

30. Check up all fire insurance policies as to principal and premiums due and to what date paid up.

31. Determine if the fire insurance in force is sufficient to protect the interests of the beneficiaries under the will. If not, act accordingly.

32. Determine and collect, if any, all surrender values on fire insurance policies when cancelled.

33. Secure permit for vacancy privilege if house containing household goods will be vacant pending settlement of the estate.

34. Arrange for public or private sale of household goods if desired.

35. Arrange for subletting rented properties if leases are not cancelled by death of the deceased.

36. Arrange for sale of real estate if necessary to pay legacies or create trust funds provided for in the will.

37. Arrange for sale of real estate if necessary to pay debts.

38. Before distribution of any money under legacies or as a part of the residuary estate, verify that all beneficiaries have reached the age of twenty-one years and are competent to give valid releases. If incompetent, have a guardian appointed with sufficient bond to cover. The trust company may act as guardian without bond. This applies also to the remainder of the estate.

39. Determine method of final settlement and probable date.

40. Determine when bequests may be paid and releases recorded.

41. Pass account to the register of wills for approval.

The foregoing steps are merely some of the proceedings necessary to settle an estate properly in order to give it every possible protection and at the same time safeguard the interests of the persons named in the will.

You will readily see that the average individual could not know just what to do, and even if he knew he would have neither the time nor the facilities to attend to all the various small but important details.

In order to secure proper execution of your wishes as represented by your will and to prevent any possible loss from any cause, the only solution is to avail yourself of the facilities of an institution like this company.

With thirty-one years of successful experience behind it and enjoying all the safeguards of the law and the courts, its millions of dollars of resources will protect the inheritance of your dependents.

In return for the highly specialized service you will receive, the register of wills will allow this company only the same compensation allowed an individual acting as executor.

The superior service you will guarantee your estate costs no more than the service of any individual you may name.

If you have made a will, change it, if this company has not been named as executor. If you have not yet performed the most important duty you owe to your family and dependents there is time to remedy this omission.

Our officers will be glad to see you at your convenience.

Come in and talk it over.

Progress in School Banking

School Savings Statistics

The tabulation of school savings statistics for the first half of the present school year, ending January 31, this JOURNAL, page 640, shows the following: Cities reporting, 1921, 149; reporting for first time, 28.

Reports received too late for tabulation include: Systems installed in 1920, 7; older systems, 5.

This compares with our tabulation for the school year 1919-1920, this JOURNAL, page 420, as follows: Reported 1919-1920, 169, of which no report this year, 39; advised "no data," 5.

Adding the delayed returns from the cities of Mobile, Ala.; Hartford, Conn.; Moline, Ill.; Andover, Mass.; Westfield, Mass.; Bay City, Mich.; Highland Park, Mich.; Saginaw, Mich.; Auburn, N. Y.; Cincinnati, Ohio; Grove City, Pa.; Sunbury, Pa., the revised totals are as follows:

Schools operating.....	2,722
Enrollment, same schools	1,472,108
Pupils participating....	648,143
Gross collections.....	\$1,731,919.10
Cash withdrawals.....	590,153.00
In pupils' accounts.....	3,883,887.68
In school funds.....	402,623.07
Total in bank.....	4,286,510.75

Bank Accounting

The tables of statistics on school savings banking show that some institutions fail to recognize the need for an accurate check on the results of their work. Being conducted at a loss in the great majority of cases, we submit that accurate reports are a first necessity.

For the benefit of those bankers who realize this point we have made some inquiry among bankers who realize the value of statistics. In very few cases are pupils' accounts segregated from others, but this does not prevent complete tabulation of results, as our tables have shown.

Thus, Minneapolis reports that "These interest accounts opened by the children are not kept separate from the other accounts of the bank, but are so marked that desired data can be secured from them. No window has been opened at the bank for school savings. We try to take care of all stamp accounts at the school. Those children who come to the bank are supposed to have graduated into the pass-book class and to do their business the same as grown-ups.

Bloomfield stamps each ledger account "school account" if it has been opened through the schools. Using the machines, the cash collections do not become mixed with the regular cash receipts.

"Segregation of the depositors themselves is accomplished by providing an hour Monday afternoon, at which time it is understood that they will receive attention, and they are requested not to come during ordinary business hours of the day."

Grand Rapids credits the deposits on

pass books, but the stamp cards from the pupils are then turned over to the school savings department, where they are run on the daily balance sheet, then turned over to the bookkeepers, who credit to school savings. Mr. Garfield adds: "This method has worked admirably with us and enables us to keep a distinct tab upon the school savings bank system, and while the individual accounts are small the volume of deposits is a source of pride to us and a promise of future business."

So many banks are able to report all the essential items which are being tabulated by the American Bankers Association that it proves the importance of the data in each individual bank.

On this point we quote Mr. Philip J. Lawler, manager of the extensive school savings work of the Bank of Italy in California: "We quite agree with you that it is not only desirable but essential to keep the school savings department work *absolutely separate* from other departmental activities," not only at the head office, but at all of the branch banks.

"We are delighted at the manner you are taking hold of this great work, which has been neglected in the past, and hope that under the fostering care of the American Bankers Association it will yet be accorded a place of honor in every bank alongside of the biggest departments, for it is second to none in importance."—Philip J. Lawler, School Savings Department, Bank of Italy, San Francisco.

U. S. Official Opposes Bank Plan

On the letterhead of the State of Ohio Department of Public Instruction, Mr. W. H. Pearson, educational director of the War Loan Organization's Savings Division, recently issued a circular "to all superintendents," under the heading, "Why Buy What You Can Get for Nothing?" as follows:

"It has just come to our attention that a New York company is sending to a few schools in Ohio a thrift system which, it is admitted, is rather complicated and that these schools are purchasing this system to conform to the thrift law passed some time ago. We merely call your attention to this fact that the thrift law was fostered by this department, which has provided a banking system to conform to that law. We have no fault to find with the thrift system which the New York company has for sale, but the system which we offer, free of charge, is as good, if not better, and if by any chance it does not meet with the approval of superintendents or board members we stand ready at any time to prepare for the schools such thrift material, free of charge, as they may request.

"Why let the board of education spend money for something that it can get for nothing?"

An Educator's Reply

A letter which answers the appeal in the above communication was written by a city superintendent of instruction in Ohio, which we are privileged to reproduce as follows:

"I received your letter which you wrote under date of December 29, 1920. I must confess that I fail to grasp the full intent and purpose of the point you wish to make. As it seems to me, what you are doing is that you are not reducing the debt of the government, but that you are only changing the loans of the government from bonds into stamps. What advantage this is to the government I cannot see.

"Our system of banking is working so nicely and we have so many 100 per cent. rooms that I would consider it a disaster to the teaching of thrift in this city to make a change to another system. Furthermore, in the sale of war stamps, we are no longer of any assistance to the government, for our government is in a position at this time to sell bonds for whatever money it needs. I believe that all of the children of the schools of — are being taught allegiance to the government, whether they buy War Savings Stamps or have an account in the school bank which carries its deposits with a local institution, because in either case they are being taught to become thrifty men and women. A prosperous country must have strong financial institutions to keep the wheels of industry turning. The government is for the people and the protection of their homes, and what we want is a good, thrifty generation coming on.

"Our children are depositing their savings in the same manner and method used by their parents in making their deposits in the bank. Children, as a rule, like to imitate. If we could possibly arrange it and it would not be too expensive, we would like to install a miniature bank in every school and let one of the pupils be the banker.

"For these and other reasons I do not consider if for the best interests of either the country, the city or the future welfare of our boys and girls to make a change at this time."

Approval by Educator

Superintendent May Trummer, Department of Public Instruction, State of Montana, writes:

"School savings banks will do more to teach the next generation the real meaning of the value of money and to instill the habits of thrift and industry than any other effort which it is possible for the schools to make. I hope they will be encouraged to such a degree that they will become common in all of our schools within the next few years."



SAVINGS BANK DIVISION



Why Savings Banks?

JOHAN J. PULLEY, president of the New York Savings Banks Association, in relating the result of test questions to depositors in mutual savings banks, says:

"To the question, 'What is the savings bank?' answers were many and varied. The average thought in the minds of people is merely that a savings bank is a depository for money. On the same basis one might say that an old shoe, a tin box or an oven are savings banks, for persons have been known to deposit money therein.

"The whole point of the answer is that a savings bank is a place to deposit money, but it is also many other things. It is a benevolent institution. It is an institution which can only receive deposits described by law. It may invest a certain amount of its deposits in certain securities; and it must declare, credit and pay from the earning of these securities certain dividends to the depositor."

French Thrift

That the proverbial thrift of the French people is something different from hoarding savings or investing in gilt-edge securities is shown by a recent letter mentioned in the *Omaha Bee* from an American army officer, who relates that their thrift now persists in the diligence and earnest application that is being paid to production. "Everyone seems to be hard at work. You do not see anybody loafing—no crowd of young men hanging around the garages and moving-picture shows. In the country men, women and children are seen tilling the ground, plowing, hoeing or spading. In the cities laborers are working hard and do not stop to talk and smoke. They are very industrious people and will overcome the terrible losses of life and property due to the war more rapidly than any other nation could."

"It is officially estimated," says the *Providence Journal*, "that last year one-fourth of the gross income of the French nation was put into interest-bearing investments."

The Bubble Burst

Based on a survey in Eastern factory towns before and during the present slump, Mr. Robert H. Page of the U. S. Bureau of Industrial Relations is reported as saying:

"Mill workers in Massachusetts were getting \$86 a week—some more. One of my aims was to find out what they did with the money. Well, they spent it just as fast as they got it. In one town where complete data were gathered only 40 per cent. of the mill workers had

bank accounts and only 20 per cent. savings accounts. In humble little homes with tawdry wall paper, low ceilings, almost invariably the parlor fixtures included a player piano and a phonograph—the most expensive makes. Over their gingham gowns the housewives, out for a morning's shopping, wore fur coats that cost anywhere from \$150 up.

"The towns were infested with peddlers. In fact, I found the greater part of the finery and their pianos and talking machines were purchased from agents, often at a much higher price than asked by stores in the same towns for the same things. There seemed to be a prevalent belief that good times had come to stay and the big wages would last forever.

"After the break—when factories shut down on two weeks' notice—in one town within a week 200 automobiles were advertised for sale; pawn-brokers and chattel-mortgage brokers piled their shops high with women's fur coats and jewelry, mostly off-colored diamonds."

Seventy-five per cent. of the applications to the Provident Loan Society of Rochester, N. Y., for advances to tide over existing emergencies were reported to be from owners of automobiles.

Prizes for Thrift

One thousand dollars in prizes are being offered by the Morris Plan Bank of Grand Rapids, Mich., \$900 to the adult saving the largest proportion of his or her income and \$100 to the boy or girl under eighteen saving the largest share of his or her earnings. The contestants are required to make deposits in the bank as regularly as they receive income.

Mortgage Holdings

The extent to which the mutual savings banks participate in the mortgage market is shown by the following data from their New York state association:

State	Savings Banks	Total Assets	Mortgage Holdings	Per Cent.
N. Y.	141	\$2,730,187,369	\$1,298,804,006	50
Conn.	80	419,257,369	156,925,987	47
Mass.	196	1,215,244,815	536,194,046	44
N. J.	27	195,530,688	74,297,302	38
N. H.	56	142,971,298	43,928,013	31
Del.	2	20,360,833	5,122,379	25
R. I.	15	121,540,154	24,757,766	20
Md.	17	131,037,212	20,313,136	15
Maine	44	107,463,361	14,526,977	13
Penn.	10	314,256,637	30,990,117	10

Executive Manager Wheaton notes that "The mortgage loan tends to keep the savings of the people within the community where the savings bank is located." He says that under ordinary circumstances 15 per cent. of such investments are annually available for re-investment.

Savings in 1920

A compilation by the New York Savings Banks Association gives this data:

Total deposits in 619 strictly mutual banks, December 31, 1920, \$5,442,044,674.27.

Other deposits in similar institutions, including eleven guaranty savings banks of New Hampshire, four stock savings banks in Minnesota, Pennsylvania and New Jersey and fifty-two trust companies with segregated savings departments, \$93,345,230.91.

Ratios of increase during 1920 in the above institutions by groups were as follows:

New England.....	7.53	per cent.
Other Eastern States.	10.78	"
Middle Western States	7.87	"
Pacific	6.99	"
United States.....	9.38	"
The average increase for the same institu- tions in the United States in 1919.....		
	9.45	"

Analysis of New Accounts

A New York bank in a typical "East Side" location gives the following data from 2,900 new savings accounts:

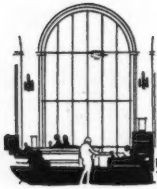
Men—	Russians	1,495
Married ...	Americans ...	703
Single	Italians	96
Widowers ...	Germans	94
Women—	Romanians ...	53
Married ...	English	23
Single	Irish	20
Widows		252

Ages, usually between 20 and 30.

This same bank reports that 4,417 persons deposited between \$20 and \$30 during the war, 1,809 deposited \$5 or less and 140 deposited \$2,000 or more.

Free Mortgage Service

The suggestion that bankers arrange building loans without profit to themselves was promptly answered by the New York *Sun* in part as follows: "The impulse to give the public something for nothing is not a new one. In Roman days wealthy men vied with one another in largesses to the people of food, money, entertainments, public baths and the like. They went further than anyone thinks of going now. At present the tradition of centuries lies strong upon us that in matters of purely material supply and demand the purveyor should in general exact his profit. * * * The believers in mechanistic economics will protest the unsoundness of allowing any essential service to go unpaid, therefore unstimulated."



NATIONAL BANK DIVISION



Service in Washington

THE convocation of the Sixty-seventh Congress by President Harding on April 11 was the signal for the introduction of bills and resolutions touching almost every phase of our national life. Each one of these bills perhaps is of interest to some member or group of members of the American Bankers Association, though to communicate to each member the nature of each bill would be a tremendous dissipation of effort.

Likewise, the advent of a new administration of the executive branch of the government brings almost daily different regulations for operation of the several departments.

All members of the Association are reminded that its Washington office is available at all times to report on the status of the various pending bills and to advise the recent rulings promulgated by department executives.

Executive Committee Meeting

The Executive Committee of the National Bank Division will be called together early in the week of May 2, 1921, when the Executive Council of the Association holds its Spring meeting in the Carolina Hotel, Pinehurst, N. C.

The by-laws of the National Bank Division provide that former presidents of the Division shall act in an advisory capacity to the Executive Committee, and they are urged to exercise their right to be present and participate in the deliberations of the committee in its forthcoming meetings.

Trust Funds Requirements

To make clear the security required when a national bank authorized to exercise fiduciary powers deposits in its commercial department trust funds awaiting investment or distribution, the Federal Reserve Board calls attention to the fourth and sixth paragraphs of Section 11 (K) of the Federal Reserve Act. They are as follows:

... Funds deposited or held in trust by the bank awaiting investment shall be carried in a separate account and shall not be used by the bank in the conduct of its business unless it shall first set aside in the trust department United States bonds or other securities approved by the Federal Reserve Board.

Whenever the laws of a state require corporations acting in a fiduciary capacity to deposit securities with the state authorities for the protection of private or court trusts, national banks so acting shall be required to make similar deposits, and securities so deposited shall be held for the protection of private or court trusts, as provided by the state law.

In construing these portions of the law the board said: "These are separate and independent requirements and it is necessary that both be complied with. A

national bank, therefore, which deposits in its commercial or savings department funds held or received in its trust department awaiting investment or distribution must keep on deposit in its trust department as collateral security United States bonds or other readily marketable securities owned by the bank at all times equal in market value to the funds so deposited, even though it has already deposited with the state authorities the securities which the state law requires to be so deposited for the protection of private or court trusts." (See Par. V of Regulation F.)

Residence Qualifications

Just prior to adjournment the late Congress amended Section 5146 of the Revised Statutes of the United States, liberalizing the residence requirements of directors of national banks. Residence within the state, territory or districts in which the association is located is no longer a requisite. A director may maintain his home anywhere he chooses within fifty miles of the site of the bank.

The amended section is as follows:

"Section 5146. Every director must, during his whole term of service, be a citizen of the United States and at least three-fourths of the directors must have resided in the state, territory or district in which the association is located, or within fifty miles of the location of the office of the association, for at least one year immediately preceding their election, and must be residents of such state or within a fifty-mile territory of the location of the association during their continuance in office. * * *

Pronouncement by Mr. Mellon

"The nation cannot afford extravagance," says Andrew W. Mellon, the new Secretary of the Treasury, "and so far as possible it must avoid entering new fields of expenditure. The people generally must become more interested in saving the government's money than spending it. A thorough-going national budget must be established and the government expenses brought into relation to its income."

Time to Print Circulation

National banks deciding to issue circulation have frequently been surprised and disappointed to learn the length of time required to secure their new notes. The Washington office of the Association has often been called upon to inquire the cause of the delay and to try to hasten the preliminary steps. Each case has been given earnest, painstaking

attention, but sometimes very little could be accomplished for the reason that the force of workers in the Government Bureau of Engraving and Printing just has not been adequate to meet the demands made upon that institution by reason of the enormous conversion of Liberty bonds, the numerous issues of Treasury certificates of indebtedness, the increasingly large volume of national bank notes afloat and the tremendous issue of Federal reserve notes.

The Comptroller of the Currency keeps on hand enough notes for each bank of issue to serve redemption purposes, but when an institution makes its initial request for circulation the work must be started from the bottom.

For each denomination of note issued a plate must be engraved, and this is slow and intricate work. However, upon deposit of the bonds necessary to secure the circulation the work of engraving the plates and printing the notes is rushed as much as possible, though the interregnum has at times seemed almost interminable. To those banks contemplating the purchase of circulation in the near future there is held out a more pleasing prospect, though even now the delay may try one's patience. Delivery of an order placed now may be expected in about sixty days, and this in comparison with consumption of time in the recent past seems almost satisfactory.

This information may be helpful to banks awaiting deliveries and the Association office in Washington is available at all times to serve the needs of these banks.

The First National Bank of Lincoln, Neb., observes the fiftieth anniversary of its establishment. The foreword of a pamphlet issued on this occasion succinctly sets forth the place which the bank has occupied during half a century. The statement is of value in suggesting what the general public too often fails to realize, that the sturdy bank of any community furthers every legitimate ambition of that community:

"Looking backward, over a vista of fifty years, the First National Bank of Lincoln points with pride to its contribution to the upbuilding of the community which it has served.

"Thousands of ambitions have been brought to successful realization through its counsel and cooperation."

"Ahead lie other milestones and fields of opportunity. The strength as exemplified in fifty years of uninterrupted service through panic and depression, the experience gained in the successful cooperation with every conceivable human endeavor is at the disposal of all who desire a dependable bank as a business partner."

Convention Calendar

DATE	ASSOCIATION	PLACE
April 13-14-15	Mississippi Valley, New Orleans, La.	
April 14-15	Florida	Miami
April 19-20	Louisiana..	New Orleans
April 27-28	Arkansas	Little Rock
April 27-28-29	Cham. of Com., U. S., Atlantic City, N. J.	
May 2-7	Executive Coun., A. B. A., Pinehurst, N. C.	
May 4-5-6-7	National Foreign Trade Council, Cleveland, Ohio	
May 10-11	Mississippi ..	Vicksburg
May 10-11-12	Texas	San Antonio
May 13-14	New Jersey..	Atlantic City
May 17-18	Missouri	St. Louis
May 18	Rhode Island, East Providence	
May 18-19	Maryland, Atlantic City, N. J.	
May 19-20	Kansas	Topeka
May 19-20-21	Alabama ...	Birmingham
May 24	North Carolina, Greensboro	
May 24-25	Oklahoma, Oklahoma City	
May 25-26-27	Pennsylvania, Atlantic City, N. J.	
May 26-27	Tennessee	Nashville
May 26-27-28	California, Santa Barbara	
June 2-3	Reserve City Bankers, Buffalo, N. Y.	
June 3-4	Oregon	Seaside
June 6-7	Michigan	Detroit
June 7-8	Iowa	Des Moines
June 9-10	Illinois	Chicago
June 10-11	Connecticut, Swampscott, Mass.	
June 10-11	Massachusetts, Swampscott	
June 10-11	New England, Swampscott, Mass.	
June 10-11	Washington	Tacoma
June 14-15	Idaho	Boise
June 14-15-16-17	Nat. Asso. of Credit Men, San Francisco, Calif.	
June 15-16	Nebraska	Omaha
June 15-16	Wisconsin ...	Milwaukee
June 16-17-18	Virginia ...	Hot Springs
June 21-22	South Dakota..	Yankton
June 23-24	Minnesota ...	Minneapolis
June 23-24-25	New York, Atlantic City, N. J.	
June 29-30	North Dakota, Grand Forks	
July 13-14-15	Ohio	Cleveland
July 19-22	Amer. Inst. of Banking, Minneapolis, Minn.	
Aug. 5-6	Montana	Helena
Aug. 24-25	Kentucky	Louisville
Sept. 1	Delaware	Rehoboth
Sept. 9-10	New Mexico...	Santa Fe
Sept. —	Wyoming	Sheridan
Oct. 3-8	A. B. A., Los Angeles, Calif.	
Nov. —	Arizona, Castle Hot Springs	



D. R. CRISSINGER
Comptroller of the Currency

D. R. Crissinger of Marion, Ohio, selected by President Harding to be Comptroller of the Currency, has entered upon his duties. Likewise he has taken oath as *ex-officio* member of the Federal Reserve Board.

Mr. Crissinger is a native of Ohio. He was born in Marion County in 1860 and in 1885 removed to the city of Marion, where he has resided continuously since. By profession he is an attorney and has spent most of his life in the practice of the law. He served two terms as county prosecuting attorney and three terms as city solicitor of Marion. Also he was a candidate for Congress in 1904, when his opponent was swept to victory by the Roosevelt landslide.

His banking experience dates back to the organization of the City National Bank of Marion, of which he was made vice-president. Toward the close of its existence he was elevated to the presidency and then elected president of the National City Bank & Trust Company at the time it was chartered last year to succeed the first-named institution. This office he held at the time of his appointment.

His career in his several lines of business has been one of continuous activity, and in civic affairs, too, he has had a prominent part. He brings to his new work a characteristic energy and steadfastness of purpose and the earnestness of his attitude and his conscientiousness throughout presage a splendid administration.

The First National Bank of Canonsburg, Pa., will make alterations which will result in a practically new bank building. The plans, specifications, active construction, decorations and furnishing will be by Hoggson Brothers of New York and Chicago.

Changes in Personnel

The business of the New York office of the Yokohama Specie Bank, Limited, hereafter will be conducted under the management of Hideshige Kashiwagi, who has succeeded Reitaro Ichinomiya as its New York agent.

Archibald Kains, formerly president of the American Foreign Banking Corporation of New York, has been elected president of the Federal International Banking Company, New Orleans. T. J. Caldwell, formerly vice-president of the Fort Worth National Bank of Fort Worth, Texas, has been appointed vice-president of the Federal International Banking Company.

Ralph T. Crane, who has been manager of Member Bank Relations of the Federal Reserve Bank of New York since 1919, has become associated with Brown Brothers & Co., 59 Wall Street, New York, and will devote his time to extending the firm's relations with banks and security houses outside of that city. Mr. Crane has been in the banking business since 1896. In 1906 he became vice-president and treasurer of the Montclair, N. J., Savings Bank and still retains his official relations with that bank. For several years he was a member of the investment firm of Ludwig & Crane, New York, leaving there to take up his work with the Federal Reserve Bank. Between 1917 and 1919 he was associate director of the Certificates of Indebtedness Department of the Federal Reserve Bank, through which the many billions of

dollars' worth of Treasury certificates were distributed among the 1,200 banks of the district, and in this position, and later as manager of Member Bank Relations, his personal contact with bankers in the New York district became very intimate.

The Guaranty Trust Company of New York has opened a new branch office in

the Alexandra House, Kingsway, London, with R. B. F. Randolph as manager and L. O. Krailsheimer as assistant manager. This gives the company three branches in London, the others being at 32 Lombard Street, E. C., and 50 Pall Mall, and a total of eight foreign branch offices.

P. C. Willis, Vice-President for Louisiana of the American Bankers Association, has severed his connections with the Ouachita National Bank at Monroe, La. He is now vice-president of the Commercial National Bank of Shreveport, La.

Sigmund Metz and Rudolph Goepel have been appointed assistant vice-presidents of the Guaranty Trust Company of New York.

The Olney State Bank has been consolidated with the First National Bank of Olney, Ill. The consolidated institution has capital and resources of over one million dollars. H. E. Murray, retiring president of the Olney State Bank, is vice-president and director in the First National Bank. Edward Suess, retiring cashier of the Olney State Bank, has accepted a position with the Olney Trust and Banking Co. The active officers of the First National Bank are: John T. Ratcliffe, president; Jas. E. Wharf, chairman of the board; H. E. Murray, vice-president; Wm. C. Webster, cashier; Allen Hyde, assistant cashier.



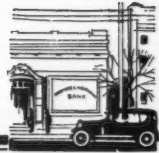
ELIOT WADSWORTH
Assistant Secretary of U. S. Treasury

Photo by Paul Thompson

Eliot Wadsworth, appointed Assistant Secretary of the Treasury, is a native of Boston who has long been active in public affairs. A Harvard man, he was for a time a member of the engineering firm of Stone & Webster, active in Red Cross work, a director of the Franklin Savings Bank of Boston and an overseer of Harvard.



STATE BANK DIVISION



APR. 1921 BUDGET		This month I expect to earn, from Salary, \$ _____; Interest, \$ _____; Dividends, \$ _____; Other Ways, \$ _____; which makes a total of \$ _____		Of this amount I plan to lay aside \$ _____, which leaves a balance of \$ _____, to be divided as follows:									
DATE	INCOME	OUTGO	LIVING Food Rent Clothes	HEALTH Doctor Dentist Recreation	PROTECTION Insurance Taxes Safe Deposit Box	APPEARANCE Dress Laundry Jewelry	SELF- IMPROVEMENT Reading Education	HOME Repairs Supplies Furniture	OTHERS Charity Gifts Entertainment	TRAVEL Carfare Auto Vacation	PLEASURE Clubs Amusements Sports, Cigars Candy, etc.	INCIDENTALS	DATE
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Personal Budget System How to Watchdog Your Own Treasury

STATE banks are rapidly developing the spirit of personal service. Among their efforts is the promotion of the budget system as a means of improving the management of individual expenditures. The Corn Exchange Bank of New York has designed what it terms a "Personal Pocket Budget System" that combines completeness and simplicity in a superior manner. As will be seen from the accompanying illustration, this system divides expenditures according to their purpose, as in that way alone can the necessary expenditure be separated from the unnecessary. On the blank spaces at the top of the page, between the double line and the headings, may be set down over each item the total amount to be set aside for that expenditure during the month. This is a budget—a setting aside of expected funds to meet coming expenditures. On spaces below the headings the income and actual expenditures as they occur may be set down. By keeping actual expenditures within the limit set by the budget at the top of the page, the income may be divided as planned and may be used to buy things really needed and planned for.

In presenting the budget system thus described, the Corn Exchange Bank says: "It is never easy to reduce expenditures or cost of living. If one-half the effort which is made to increase one's personal earnings were directed toward careful and economical management of one's personal spending, a long step would be taken toward solving our national economic problems. The average man or woman will readily apply a system of control over the business or household routine as to work to be done—things to be accomplished—but for some unknown reason will not apply the same control to personal financial affairs. Wise expenditure is not meanness or stinginess, or any particular self-denial—it is simply wise regulation. It is directing the power of money and doing away with its lost motion."

North Carolina Trust Powers

A commercial bank in the state of North Carolina, wishing to transact a trust company business, must reorganize or amend its charter as a "bank and trust company." Such "bank and trust company," doing a general banking and trust, fiduciary and surety business, may purchase, hold and convey real estate under certain conditions, but shall not invest more than 25 per cent. of the capital stock and permanent surplus in real estate, unless to protect its loans, debts contracted in the course of its dealings or property acquired by sale under execution or judgment of any court in its favor. Every "bank and trust company" doing and engaging in a banking, trust, fiduciary or surety business and dealing in real estate shall at all times have on hand as a reserve in available funds an amount equal to at least 15 per cent. of the aggregate

amount of its demand deposits and 5 per cent. on time deposits. The total liabilities to any "bank and trust company" doing a fiduciary and surety business and dealing in real estate of any person, or of any company, corporation or firm for money borrowed, including in the liabilities of a company or firm the liabilities of the several members thereof, shall at no time exceed one-tenth of the amount of the capital stock and surplus of such "bank and trust company" actually paid in.

Guaranty Law in Washington

The state of Washington has amended its guaranty of deposits law so as to provide for the immediate increase of the cash guaranty fund from one-half of 1 per cent. to 1 per cent. and for annual installments of one-tenth of 1 per cent. assessed against the banks until the total guaranty fund amounts to 3 per cent. of

the guaranteed deposits. The law also provides that in case of necessity assessments against guaranteed banks may run as high as one-half of 1 per cent. There is a further section providing conditions on which a guaranteed bank can withdraw from the association.

New Bank Superintendent

The appointment of W. J. Murray of Eldora, Iowa, to succeed M. V. Henderson, Jr., as Superintendent of Banks of Iowa, has been announced. Mr. Murray will take office July 1.

Executive Committee Meeting

A meeting of the Executive Committee of the State Bank Division will be held at Pinehurst, N. C., May 2, at the time of the Spring Meeting of the American Bankers Association.

New Banks Organized

ARIZONA

Clemenceau—Bank of Clemenceau. Capital, \$50,000. President, J. S. Douglas; cashier, M. A. Patterson.

Glendale—Glendale Bank of Commerce. President, H. Hughes; cashier, G. A. Appleby.

Scottsdale—Farmers State Bank.
Tucson—Cooperative Bank and Trust Company. Capital, \$100,000. President, Wilmer E. Butler; secretary-treasurer, L. G. Hummel.

Winslow—Winslow Union Bank & Trust Company. President, J. H. Fuller; cashier, R. C. Kaufman.

CALIFORNIA

Alameda—Commercial National Bank. Capital, \$100,000. President, F. N. Delaney; cashier, Jesse L. Delaney.

COLORADO

Hotchkiss—North Fork State Bank. Capital, \$15,000. President, Albert Smith; cashier, Harry H. Addams.

CONNECTICUT

Portland—Portland Trust Company. Capital, \$100,000.

FLORIDA

Daytona—East Coast State Bank. Capital, \$50,000.

GEORGIA

Butler—Citizens Bank.
Montezuma—Citizens National Bank. Capital, \$100,000. President, W. M. Lewis; cashier, Thomas A. Dixon.

ILLINOIS

Chicago—Ashland State Bank. Capital, \$200,000. President, H. C. Zacharias; cashier, Edmund E. Plazek.

Chicago—Elston State Bank. Capital, \$100,000. President, Philip J. Finnegan.

Chicago—Robey State Bank. Capital, \$100,000. President, John S. Jurik; cashier, Joseph Homzacek.

INDIANA

East Chicago—Peoples State Bank. Capital, \$50,000. President, Jno. Bochnowski; cashier, Thos. S. Gozdecki.

Gary—Bankers Trust Company. Capital, \$300,000.

Griffith—Griffith State Bank. Capital, \$25,000. President, C. Oliver Holmes; cashier, J. Ruskin Clark.

Indiana Harbor—Liberty State Bank. Capital, \$50,000. President, Andrew R. Sambor; cashier, Michael E. Kozacik.

South Bend—Washington State Bank. Capital, \$50,000. President, George A. Knoblock.

KANSAS

Bendena—Farmers National Bank. Capital, \$25,000. President, John P. Severin; cashier, J. V. Morehead.

Le Loup—Le Loup State Bank. Capital, \$10,000.

Topeka—Union Trust Company. Capital, \$100,000. President, Walter L. Payne; secretary, J. H. Lee.

KENTUCKY

Falmouth—First National Bank. Capital, \$60,000. President, George W. Berger; cashier, George Bradford.

Pikeville—Day & Night National Bank. Capital, \$100,000. President, F. T. Hatcher; cashier, L. C. Williamson.

LOUISIANA

Marrero—Bank of Marrero. Capital, \$30,000. President, Leo A. Marrero; cashier, Archie C. Grefer.

New Orleans—New Orleans Bank & Trust Company. Capital, \$65,000. President, Paul H. Laroussini; vice-president, Wm. J. Frees.

MICHIGAN

Byron Center—Byron Center State Bank. Capital, \$25,000.

Milford—Farmers State Savings Bank. Capital, \$50,000.

Strathmoor—Strathmoor State Bank. Capital, \$25,000.

MINNESOTA

Brunswick—State Bank of Brunswick. Capital, \$10,000.

MISSOURI

Kansas City—Central Trust Company.

NEW JERSEY

Chatham—First National Bank. Capital, \$25,000. President, George S. Pollard; cashier, Robert S. Pollard.

NEW YORK

Buffalo—Clinton Bank. Capital, \$100,000.

New York—Liberty Bank (conversion of Liberty National). Capital, \$5,000,000.

NORTH CAROLINA

Robinsville—Graham County Bank.

NORTH DAKOTA

New England—New England State Bank. President, C. H. Jones.

OHIO

Middle Point—Middle Point Banking Company. Capital, \$40,000. President, E. G. Leathers; cashier, W. H. McGinnis.

OKLAHOMA

Boswell—Citizens National Bank. Capital, \$25,000. President, W. W. Moran; cashier, A. J. Steen.

El Reno—El Reno State Bank. Capital, \$25,000.

Nuyaka—First State Bank. Capital, \$25,000. President, H. H. Moore; cashier, F. M. Tarpley.

OREGON

Toledo—First National Bank. Capital, \$25,000. President, A. T. Peterson; cashier, Elias Kilen.

PENNSYLVANIA

Danville—Montour County Trust Company.

Koppel—First National Bank. Capital, \$50,000. President, Henry P. Hoffstot; cashier, Philip Martsoff.

Philadelphia—Women's Trust Company. Capital, \$125,000.

Youngwood—Savings & Trust Company.

SOUTH CAROLINA

Greenville—Carolina Trust Company. Capital, \$50,000.

TENNESSEE

Bristol—Union Trust Company. Capital, \$500,000.

Frankewing—Bank of Frankewing. Capital, \$10,000.

Kingsport—Interstate Trust & Savings Bank. Capital, \$25,000.

Russellville—Russellville Bank & Trust Company (succeeds First National Bank). Capital, \$25,000.

Sardis—Peoples Bank. Capital, \$10,000.

Woodbury—Cannon Banking Company. Capital, \$20,000.

TEXAS

Harvey—Blue Ridge State Bank. Capital, \$10,000. President, E. M. R. Robinson; cashier, J. M. Swaraby.

Penelope—Penelope State Bank. Capital, \$25,000. Cashier, H. K. Baker.

Santo—Santo State Bank. Capital, \$10,000. President, W. S. Fant; cashier, C. Hatchett.

Tomball—Guaranty State Bank. Capital, \$10,000. President, A. R. Woodson; cashier, D. S. Crowley.

VIRGINIA

Charlottesville—Commerce National Bank (conversion of the Commerce Bank & Trust Company). Capital, \$100,000. President, McLane Tilton; cashier, Thomas B. Behrendt.

Farmville—American Farmers-Labor Savings Bank. Capital, \$50,000. President, D. W. Baker; secretary, J. R. Augustine.

Woodstock—The National Bank of Woodstock (conversion of the Valley Savings Bank, Inc.). Capital, \$50,000. President, T. G. Locke; cashier, N. H. Corman.

WASHINGTON

Dishman—Appleway State Bank. Capital, \$15,000. President, J. F. Brod; cashier, G. A. Kauffman.

Greenacres—Fruitgrowers State Bank. Capital, \$15,000. President, H. N. Fogle; cashier, F. H. Piper.

Lynden—Peoples State Bank. Capital, \$40,000. President, P. J. Van Hemert; cashier, Albert Kok.

Skamokawa—Skamokawa State Bank. Capital, \$15,000. President, Gordon G. Wiest; cashier, Lawrence Meissner.

WEST VIRGINIA

Logan—Bank of Logan. President, Fred Haislip; cashier, Paul Barrett.

WISCONSIN

Meridean—Meridean State Bank. Capital, \$15,000.

North Bend—State Bank of North Bend. Capital, \$20,000. President, A. J. Patterson; cashier, Wm. H. Melby.

Menace of Group Pressure

In the present world economic crisis democracy is more deeply at stake than it was when the wavering lines of the Allies were bending before the Teutonic onslaught. The inspiration of a unified patriotism has cooled, and in its place we have the menace of class and group selfishness.—*The Wollman Review*.

Central States Conference

RICHARD S. HAWES, of the First National Bank of St. Louis, welcomed the delegates to the tenth annual meeting of presidents, vice-presidents and secretaries of the bankers associations in the Central States, Middle West, known as the Central States Conference, which was held at the Statler Hotel, St. Louis, March 22 and 23. Among those in attendance were: G. E. Bowerman, executive manager; G. E. Allen, director of the Institute of Banking; D. A. Mullen, secretary of the Clearing House Section of the American Bankers Association; Theodore S. Cady, Fidelity National Bank & Trust Company, Kansas City, and R. E. Waite, secretary of the Arkansas Bankers Association. M. A. Graettinger, Illinois secretary, president of the conference, conducted the meetings.

Mr. Bowerman spoke on the activities of the American Bankers Association and also discussed the plan of the Foreign Trade Financing Corporation. Mr. Allen explained the educational work of the American Institute of Banking and Mr. Mullen, recently appointed secretary, gave an outline of the work planned by the Clearing House Section. Mr. Cady discussed various tax problems as related to banks.

Addresses were also delivered by A. O. Wilson, vice-president of the State National Bank of St. Louis; R. F. McNally, vice-president of the National Bank of Commerce, St. Louis, and president of the Missouri Bankers Association; D. N. Fink, president of the Commercial National Bank of Muskogee and president of the Oklahoma Bankers

Association, and by L. A. Andrew, president of the Citizens Savings Bank and president of the Iowa Bankers Association.

The conference recommended that state association secretaries direct the attention of their bankers to the desirability of giving notice, by telegram, of non-payment of fraudulent or forged checks to the banks from which such checks originated.

George E. Allen was made an honorary life member of the Central States Conference.

Mr. Waite, secretary of the Arkansas Bankers Association, accepted an invitation for his association to become a member of the conference.

Among the resolutions adopted was the following:

"Whereas, Federal income taxes are distinctively an expense of the taxpayer, be it

"Resolved, That it is the sense of this conference that such taxes should be classed as a proper deduction for income tax purposes.

"Be it further Resolved, That, if the present income tax law remains in effect, same should be so amended as to allow as a deduction such income taxes paid, and that in the event of the passage of a new act effective for 1921 this provision should be incorporated in that act.

"Be it further Resolved, That personal taxes assessed against the stockholders of banks, which are paid by the banks, should be by statutory provision allowable as a deduction in arriving at net income for Federal income tax purposes. It is realized that such personal taxes paid by banks are assessed against stock-

holders and not against the banking corporations simply because the legislatures of the different states cannot levy personal taxes directly against national chartered banks.

"Be it further Resolved, That the president of this conference be authorized to appoint a committee of three to present these tax matters to the United States Treasury Department or to Congress, and that the assistance and cooperation of the General Counsel of the American Bankers Association be solicited in so doing.

"Whereas, It is clearly evident that changes must be made in our monetary plan in order to provide longer time credits than is now afforded for handling foreign trade, and

"Whereas, Marked progress has been made in providing such a plan by the organization of the Foreign Trade Financing Corporation, now therefore be it

"Resolved, That we undertake to use the machinery of our several state associations to promote the interests of this organization, in so far as possible, with due regard to the limitations of our member banks, whose first duty is to supply the needs of the communities and territories which they serve."

The resolutions included expressions of gratitude to the hosts of the conference, to the speakers and to the officers.

Eugene P. Gum, secretary of the Oklahoma Bankers Association, was elected president of the conference and L. J. Welch, secretary of the South Dakota Bankers Association, was chosen secretary. The 1922 conference will be held in Milwaukee.

Mortuary Record of Association Members

REPORTED FROM FEBRUARY 26, 1921, TO MARCH 25, 1921

ASH, ELMER P., president Bank of Stevenson, Stevenson, Wash.
Austin, Frank E., president First National Bank, Mountain Home, Idaho.
Bartos, J., cashier Bank of Wilber, Wilber, Nebr.
Bassett, W. H., vice-president Phoenix National Bank, Hartford, Conn.
Campbell, John S., president Butler Savings & Trust Company, Butler, Pa.
Chase, William H., director National Butchers' & Drovers' Bank, New York, N. Y.
Clark, George, president Clinton National Bank, Clinton, N. J.
Dewey, E. O., director and vice-president Owosso Savings Bank, Owosso, Mich.
Drake, Luther, president Merchants National Bank, Omaha, Nebr.
Embree, W. L., cashier Farmers National Bank, Hillsboro, Texas.
Evans, Charles, chairman of board, Atlantic City National Bank, Atlantic City, N. J.
Fraser, J. D., vice-president Monongahela National Bank, Pittsburgh, Pa.

Graves, J. H., president Second National Bank, Lexington, Ky.
Gray, David Simpson, chairman of board, Hayden-Clinton National Bank, Columbus, Ohio.
Griffith, Hezekiah, president First National Bank, Columbus, Ind.
Hall, L. R., president Pittsburg National Bank, Pittsburg, Texas.
Hayne, Linwood C., president Planters Loan & Savings Bank, Augusta, Ga.
Hill, Thomas W., vice-president Guardian Savings & Trust Company, Cleveland, Ohio.
Hillyer, D. P., president Bibb National Bank, Macon, Ga.
Hoblit, E. M., cashier State Bank, Bloomington, Ill.
Howell, Thomas E., cashier Bank of Bauxite, Bauxite, Ark.
Hudson, Benjamin, president Citizens National Bank, Lancaster, Ky.
Hutchins, James C., vice-president Illinois Trust & Savings Bank, Chicago, Ill.
Keown, Herbert L., assistant cashier Orleans County Trust Company, Albion, N. Y.

Kizer, William Biggs, president Farmers & Merchants Bank, Winchester, Ind.
Lyon, H. R., chairman of board, Midland National Bank, Minneapolis, Minn.
Marrero, Hon. L. H., president Jefferson Trust & Savings Bank, Gretna, La.
McEnany, Robert N., vice-president and a manager of Forty-second Street Branch, Central Union Trust Company, New York, N. Y.
McMorran, David, president Central National Bank, St. Paris, Ohio.
Morris, A. S., vice-president Union Savings Bank, Augusta, Ga.
Rice, J. W., president Shenandoah Valley National Bank, Winchester, Va.
Schermerhorn, W. G., president Citizens Trust Company, Schenectady, N. Y.
Visscher, Arend, president People's State Bank, Holland, Mich.
Wall, J. P., vice-president and director Ohio Valley Bank, Pittsburgh, Pa.
Webber, Mrs. M. E., president Webber State Bank, Portland, Mich.
Zimmer, Frank, president Birdseye National Bank, Birdseye, Ind.

Membership Changes

REPORTED FROM FEBRUARY 26, 1921, TO MARCH 25, 1921

There are frequent changes which come about through consolidations, mergers, liquidations and changes of title. The Executive Manager of the Association would appreciate receiving from members notice of any changes which occur, for the purpose of keeping the membership list correct and giving publicity through the columns of the JOURNAL.

Arizona.....	Flagstaff.....	Citizens Bank merged with Arizona Central Bank.	Missouri.....	King City.....	First National Bank changed to First National Bank & Trust Company.
	Glendale.....	Glendale State Bank closed.		St. Louis.....	Powell, Garard & Co. discontinued.
	Kingman.....	Citizens Bank merged with Arizona Central Bank.		Springfield.....	Bank of Commerce consolidated with Holland Banking Company.
	Oatman.....	Citizens Bank merged with Arizona Central Bank.	Montana.....	Baylor.....	First National Bank in voluntary liquidation.
	Peoria.....	Glendale State Bank closed.		Bearcreek.....	Clark-Wright Company dissolved.
	Williams.....	Citizens Bank merged with Arizona Central Bank.		Outlook.....	State Bank of Outlook succeeded by Security State Bank.
Arkansas.....	Yellville.....	Miners & Citizens Bank consolidated with Bank of Yellville as Citizens Bank.		Opheim.....	First National Bank in voluntary liquidation.
California.....	Centerville.....	San Leandro State Bank changed to State Bank.	New York.....	New York.....	New York Trust Company and Liberty National Bank of New York consolidated under name of The New York Trust Company.
	Long Beach.....	National Bank of Long Beach merged with Long Beach Trust & Savings Bank.			
	San Leandro.....	San Leandro State Bank changed to State Bank.	North Carolina.....	Greensboro.....	Greensboro Loan & Trust Company changed to Greensboro Bank & Trust Company.
Colorado.....	Flagler.....	Flagler State Bank succeeded by First National Bank.			
	Pagosa Springs.....	Stockmens & Merchants Bank converted into First National Bank.	North Dakota.....	Courtenay.....	Security State Bank closed.
Connecticut.....	Hartford.....	Colonial National Bank taken over by Phoenix National Bank.		Golden Valley.....	Equity State Bank changed to American State Bank.
	Hartford.....	MacDonald, Pimm & Company succeeded by N. A. MacDonald & Co., Inc.	Ohio.....	Cincinnati.....	Southern Ohio Savings Bank changed to Southern Ohio Savings Bank & Trust Company.
Georgia.....	Cedartown.....	Bank of Cedartown consolidated with Commercial Bank as Commercial Bank of Cedartown.		Cleveland.....	Klonowski Savings Bank changed to Bank of Cleveland.
	Richland.....	Bank of Richland consolidated with Peoples Bank as Peoples Bank of Richland.	Oklahoma.....	Ada.....	Guaranty State Bank succeeded by Security State Bank.
				Foss.....	Bank of Foss succeeded by Foss State Bank.
				Hollis.....	Farmers State Bank reported closed in February JOURNAL in error.
Idaho.....		Farmers and Stockgrowers Bank now at Montour.		Okmulgee.....	Guaranty State Bank sold to Bank of Commerce.
Illinois.....	Chicago.....	McCoy & Co. succeeded by Hill, Joiner & Co.		Shawnee.....	Security State Bank closed.
	Olney.....	Olney State Bank consolidated with First National Bank.	Pennsylvania.....	Wilkes-Barre.....	Hanover Bank changed to Hanover Bank & Trust Company.
	Palatine.....	Palatine Bank of C. H. Patten succeeded by First National Bank.	South Dakota.....	Scotland.....	Corn Belt National Bank suspended.
Iowa.....	Emmetsburg.....	Emmetsburg National Bank in hands of receiver.	Tennessee.....	Memphis.....	Peoples Savings Bank & Trust Company succeeded by Madison Bank & Trust Company.
Kansas.....	Penalosa.....	Farmers Bank succeeded by Farmers National Bank.	Texas.....	Plano.....	Farmers & Merchants National Bank succeeded by Farmers State Bank.
Louisiana.....	Monroe.....	Citizens National Bank consolidated with Ouachita National Bank.		Ranger.....	First National Bank closed.
Maine.....	Machias.....	Machias National Bank succeeded by Merrill Trust Company.	Washington.....	Seattle.....	Citizens Bank of Georgetown liquidating.
				Spokane.....	Day & Hansen Security Company in voluntary liquidation.
				Yakima.....	Central Bank & Trust Company closed.

New and Regained Members from February 26 to March 25, 1921, Inclusive

Alabama

Farmers & Merchants Bank, Ashford 61-436.
Woodlawn Savings Bank, Birmingham, 61-441.
American National Bank, Bridgeport 61-468.
Lineville National Bank, Lineville 61-211. (Regained.)
Bank of Townley, Townley 61-494.
Bank of Tuskegee, Tuskegee 61-125.

Arkansas

Peoples Bank, Berryville 81-252.
Citizens Bank, Dierks 81-636.
Bank of Grubbs, Grubbs 81-348.
Citizens State Bank, Hartford 81-643.
New Bank of Hazen, Hazen 81-260.
Bank of Marmaduke, Marmaduke 81-253.
First National Bank, Pocahontas, 81-632.
Grant County Bank, Sheridan, 81-432.
The State Bank, Success 81-620.

California

First National Bank, Bay Point 90-915.
First National Bank, Culver City 90-933.
First National Bank, Cutler 90-880.
State Bank, Hayward 90-873.
Citizens Commercial & Savings Bank, La Habra 90-942.
Bank of Lankershim, Lankershim 90-623.
First National Bank, Los Altos 90-906.
Los Angeles Trust & Savings Bank, Hollywood Branch, Los Angeles 90-948.
Merchants National Bank, Sacramento 90-951.

California—Continued

First National Bank, Salida 90-921.
Asia Banking Corporation, 301 California Street, San Francisco 11-83.
Farmers State Bank, Tulare 90-949.

Colorado

First National Bank, Arvada 82-211.
Bennett State Bank, Bennett 82-360.
Peoples State Bank, Center 82-417.
Union Deposit & Trust Co., Denver.
Eads State Bank, Eads 82-438.
Elizabeth State Bank, Elizabeth 82-238.
Farmers & Merchants Bank, Jaroso 82-409.
First State Bank, Joes 82-443.
Kersey State Bank, Kersey 82-261.
Colorado Bank & Trust Co., Longmont 82-425.
McClave State Bank, McClave 82-434.
Padroni State Bank, Padroni 82-377. (Regained.)
Farmers State Bank, Platner 82-415.
Southern Colorado Bank, Pueblo 82-9.
Selbert State Bank, Selbert 82-296.
First National Bank, Stratton 82-392. (Regained.)

Connecticut

Citizens Trust Co., New Haven 51-20.

Florida

Bank of Crescent City, Crescent City 63-157.
Havana State Bank, Havana 63-170.
Central State Bank, Lakeland 63-347.

Florida—Continued

Citizens Bank, Lake Wales 63-350.
Miami Exchange Bank, Miami 63-339.
State Bank of Zolfo, Zolfo Springs 63-207. (Regained.)

Georgia

Ballground Bank, Ballground 64-535.
Bank of Bullochville, Bullochville 64-555. (Regained.)
Farmers Bank, Crawford 64-793.
Farmers & Merchants Bank, Girard 64-1003.
Jones County Bank, Haddock 64-615.
Macon Savings Bank, Macon 64-43.
Bank of Newington, Newington 64-961.
Citizens Bank, Ocilla 64-274. (Regained.)
Chattooga County Bank, Summerville 64-463.
Bank of Tucker, Tucker 64-997.
Bank of Willacoochee, Willacoochee 64-412.
Exchange Bank, Wrightsville 64-349.

Idaho

First Bank of Homedale, Homedale 92-271.

Illinois

First National Bank, Blue Mound 70-905.
Brocton Bank, Brocton 70-1188.
First State Bank, Broughton 70-1189.
White County Bank, Carmi 70-524.
The Metropolitan Co., Cont. & Com'l Bank Bldg., Chicago.
First Trust & Savings Bank, East Moline 70-2011.



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"We feel a decided pride in our building and use it extensively in our advertising material. It is one of the most distinctive and artistic buildings on California Street—the financial street of the Pacific Coast".

Terra Cotta plays a leading part in giving this building its architectural beauty. The fine intricate mouldings, the bases, shafts, and capitals of the columns, the door pediment, the name plaque, and the plain surfaces

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Illinois—Continued

Farmers State Bank, Gays 70-1314.
Hanover Union State Bank, Hanover 70-1008.
Peoples State Bank, Rockport 70-1714.

Indiana

First National Bank, Converse 71-1157.
Citizens State Bank, Elwood 71-106.
Union State Bank, Flat Rock 71-1065.
Bright National Bank, Flora 71-540.
Fort Wayne State Bank, Fort Wayne 71-32.
First National Bank, Knightstown 71-491.
Farmers & Traders State Bank, Monon 71-573.
Sharpsville Bank, Sharpsville 71-907.
American State Bank, Sheridan 71-1057.
Cass County State Bank, Walton 71-940.
American Trust & Savings Bank, Whiting 71-1170.
First Trust & Savings Bank, Whiting 71-289.

Iowa

Beaver Savings Bank, Beaver 72-1196.
Commercial Bank, Denison 72-1983.
Farmers State Savings Bank, Fairbank 72-877.
State Bank of Oelwein, Oelwein 72-153.
Bank of Plymouth, Plymouth 72-1533.
Seymour National Bank, Seymour 72-359.
Farmers Savings Bank, Walford 72-1636.

Kansas

State Bank of Arrington, Arrington 83-722.
Peoples National Bank, Belleville 83-236.
First State Bank, Cherokee 83-1320.
Haysville State Bank, Haysville 83-1315.
Farmers & Merchants State Bank, Holsington 83-258.
Morrowville State Bank, Morrowville 83-949.
Farmers & Merchants Bank, Mound City 83-951.
First National Bank, Oakley 83-478.
Farmers National Bank, Parsons 83-39.
First National Bank, Potwin 83-1256.
(Regained.)
Reece State Bank, Reece 83-1013.
Saint George State Bank, Saint George 83-1050.

Kentucky

G. W. Davidson & Co., Auburn 73-367.
Boyd Deposit Bank, Boyd 73-708.
Providence Citizens Bank & Trust Co., Providence 73-210.
First National Bank, Scottsville 73-264.

Louisiana

Bank of Lafayette & Trust Company, Broussard 84-154. (Regained.)
Cedar Grove State Bank, Cedar Grove 84-333.

Louisiana—Continued

Caldwell Bank & Trust Co., Columbia 84-165. (Regained.)
Bank of Doyline, Doyline 84-324.
Bank of Gonzales, Gonzales 84-378.
Commercial Bank & Trust Co., Mandeville 84-202.
Hibernia Bank & Trust Co., Decatur St. Branch, New Orleans 14-9.
Hibernia Bank & Trust Co., Dryades St. Branch, New Orleans 14-9.
Hibernia Bank & Trust Co., Mid-City Branch, New Orleans 14-9.
First State Bank & Trust Co., Ponchartroula 84-383.
Commercial Bank, St. Martinville 84-93.
Bank of Simsboro, Simsboro 84-235.
Central Savings Bank & Trust Co., West Monroe 84-346. (Regained.)
Franklin State Bank & Trust Co., Wisner 84-370.

Maine

Forest City Trust Co., Portland 52-13.
Hayden, Stone & Co., Portland.

Maryland

Denton National Bank, Denton 65-91.
St. Michaels Bank, St. Michaels 65-89.

Massachusetts

Hayden, Stone & Co., 87 Milk St., Boston.
Inman Trust Co., Cambridge 53-63.
Worcester County Institution for Savings, Worcester P. O., Greendale 53-621.
Haverhill Morris Plan Co., Haverhill.
Ludlow Savings Bank, Ludlow 53-577.
Polish Industrial Bankers, Salem 53-183.
Hayden, Stone & Co., Springfield.
Bay State Savings Bank, Worcester 53-9.

Michigan

Atlanta State Bank, Atlanta 74-553.
Copemish State Bank, Copemish 74-1069.
American State Bank, Concord and Kercheval Aves. Branch, Detroit 9-58. (Regained.)
American State Bank, Davison Ave. and Rlopelle St. Branch, Detroit 9-58.
American State Bank, Forest and Fischer Aves. Branch, Detroit 9-58.
American State Bank, Fort St. at Dearborn Road Branch, Detroit 9-58.
American State Bank, Grand River and Trumbull Branch, Detroit 9-58. (Regained.)
American State Bank, Grand River and Livernois Ave. Branch, Detroit 9-58.
American State Bank, Gratiot Ave. Branch, Detroit 9-58. (Regained.)
American State Bank, Gratiot Central Market Branch, Detroit 9-58. (Regained.)
American State Bank, Harper and Van Dyke Aves. Branch, Detroit 9-58.

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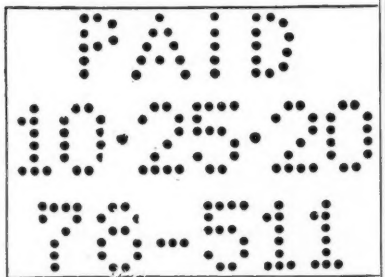
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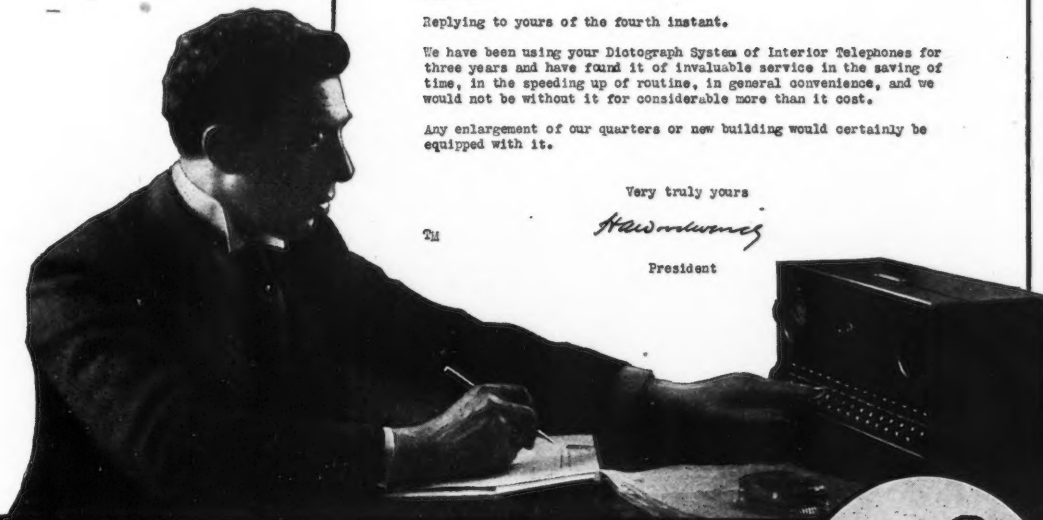
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1921

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Michigan—Continued

American State Bank, Jefferson at Alter Road Branch, Detroit 9-58.
 American State Bank, Mack and Hillger Branch, Detroit 9-58. (Regained.)
 American State Bank, Kercheval and Holcomb Branch, Detroit 9-58. (Regained.)
 American State Bank, Mack and Cadillac Branch, Detroit 9-58. (Regained.)
 American State Bank, Mack and Townsend Branch, Detroit 9-58. (Regained.)
 American State Bank, Macomb and Randolph Sts. Branch, Detroit 9-58.
 American State Bank, Branch O. Russell and Monroe Sts., Detroit 9-58. (Regained.)
 American State Bank, Branch P. Scott and Riopelle Sts., Detroit 9-58. (Regained.)
 American State Bank, 35th St. and Michigan Ave. Branch, Detroit 9-58.
 American State Bank, Woodward Ave. and Clifford St. Branch, Detroit 9-58.
 American State Bank, Woodward Ave. at Grand Blvd. Branch, Detroit 9-58.
 Peoples State Bank, Alexandrine and Woodward Ave. Branch, Detroit 9-10.
 Peoples State Bank, Ferndale Ave. Branch, Detroit 9-10.
 Peoples State Bank, Forest Ave. Branch, Detroit 9-10.
 Peoples State Bank, Harper Ave. Branch, Detroit 9-10.
 Peoples State Bank, Kercheval Ave. Branch, Detroit 9-10.
 Peoples State Bank, Twelfth St. Branch, Detroit 9-10.
 Glennie Bank of Mores, Marks & Co., Glennie 74-962.
 Peoples State Bank, Ida 74-691.
 Bank of Metz, Metz 74-1043.
 John W. Free State Bank, Paw Paw 74-1025.

Minnesota

Ashcreek State Bank, Ashcreek 75-1363.
 First National Bank, Aurora 75-1454.
 Barry State Bank, Barry 75-646.
 Courtland State Bank, Courtland 75-701.
 State Bank of Doran, Doran 75-722.
 Farmers State Bank, Gary 75-1220.
 First State Bank, Glyndon 75-764.

Minnesota—Continued

Ihlen State Bank, Ihlen 75-800.
 Peoples State Bank, Little Falls 75-1515.
 Ellason State Bank, Montevideo 75-153.
 Farmers State Bank, Mountain Lake 75-1462.
 Security State Bank, North Redwood 75-881.
 First State Bank, Spring Valley 75-227.

Mississippi

Peoples Bank & Trust Co., Fayette 85-520.
 Peoples Bank, Pelahatchie 85-519.

Missouri

Bank of Bedford, Bedford 80-1341.
 Belgrade State Bank, Belgrade 80-883.
 Farmers Bank, Butterfield 80-1622.
 Carroll County Trust Co., Carrollton 80-1576.
 Farmers Bank of Commerce, Commerce 80-934.
 Community Bank, Dawn 80-1647.
 Chrisman-Sawyer Banking Co., Independence 80-78. (Regained.)
 Swope Park State Bank, Kansas City 18-45.
 Home Savings Bank, La Belle 80-511.
 Matthew & Marshall Bank, Lemons 80-1062.
 Bank of New London, New London 80-526.
 Peoples Bank, North Kansas City 80-1658.
 First National Bank, Ridgeway 80-564. (Regained.)
 Bank of Ritchey, Ritchey 80-1337.
 Bank of St. Elizabeth, St. Elizabeth 80-1445.
 Farmers Bank, Sampsel 80-1613.
 Farmers Bank, Chillicothe P. O., Spring Hill 80-1643.
 Bank of Waynesville, Waynesville 80-1249. (Regained.)
 Farmers Bank, Weatherby 80-1668.
 Citizens Bank, Wheeling 80-1452.
 Farmers & Merchants Bank, Wheeling 80-1257.

Montana

Belmont State Bank, Belmont 93-261.
 Deer Lodge Bank & Trust Co., Deer Lodge 93-502.
 West Side State Bank, Great Falls 93-467. (Regained.)

Montana—Continued

First National Bank, Rosebud 93-496.
 First National Bank, Westby 93-473. (Regained.)

Nebraska

Commercial State Bank, Havelock 76-1269.
 Farmers State Bank, Hazard 76-1260.
 Lamar State Bank, Lamar 76-1020.
 Omaha Chapter, American Institute of Banking, Omaha.
 Citizens State Bank, Orchard 76-426.
 Nebraska State Bank, South Sioux City 76-1267.
 Farmers & Merchants Bank, Sterling 76-337.
 Waco State Bank, Waco 76-1057.

New Jersey

First National Bank, Chatham 55-515.

New Mexico

First National Bank, Loving 95-170.
 Citizens State Bank, Mountainair 95-173.

New York

First National Bank, Candor 50-677.
 Baltic States Bank, New York 1-320.
 Banco Nacional Ultramarino, 93 Liberty St., New York 1-315.
 Bank for Savings, New York 1-170.
 Greenwich Bank, 7th Ave. and 23d St., New York 1-17.
 Hudson Safe Deposit Co., 1411 Broadway, New York.
 Frank Sakser State Bank, New York 1-692.
 Barr & Schmeltzer, 14 Wall St., New York.
 Hayden, Stone & Co., 25 Broad St., New York.
 McBee, Jones & Co., 120 Broadway, New York.
 Seasongood, Haas & MacDonald, 60 Broadway, New York.
 Wood, Gundy & Co., 14 Wall St., New York.
 Navy Savings Bank, Brooklyn 1-397.
 Bank of the Manhattan Co., College Point Branch, New York 1-2. (Regained.)
 West New Brighton Bank, West New Brighton, New York 1-457.
 First National Bank, Rouses Point 50-1039.

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RESOLVED, THAT COLLECTIONS AND REQUESTS FOR RATING will have our prompt attention PROVIDED same are accompanied by the following fee IN ADVANCE:

Collections 15 cts. each
 Requests for rating, minimum fee..... 25 cts. each

Unless such fee accompanies requests for this service the item will be returned without presentation or attention. This rule does not apply to Drafts with Bills of Lading attached, or to NOTES.

We return the attached and call your attention to our rule. Fees accompanying collections will be credited as part of regular exchange charge on collections made. In complying with request for rating, all statements will be made upon information which this bank believes to be reliable, but further than that it assumes no liability whatever.

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New York—Continued

Mountains National Bank, Tannersville 50-979.
 Merchants Bank, Utica 50-1022.
 Rocco Perretta & Co., Utica 50-84.
 First National Bank, Washingtonville 50-885.
 Citizens National Bank, Wellsville 50-466.

North Carolina

Security Savings Bank, Charlotte 66-22.
 Polk County Bank & Trust Co., Columbus 66-603.
 Peoples Bank, Creswell 66-603.
 Commercial Bank, Dunn 66-672.
 Planters Savings Bank, Gatesville 66-737.
 Farmers & Mechanics Bank & Trust Co., Greensboro 66-741.
 Central Bank & Trust Co., Mount Holly 66-708.
 Bank of North Charlotte, North Charlotte 66-714.
 Bank of Pinetown, Pinetown 66-740.
 Farmers Bank, Pittsboro 66-635.
 Bank of Stovall, Stovall 66-449.

North Dakota

Bank of Berthold, Berthold 77-244.
 Farmers Security Bank, Conway 77-1052.
 Farmers & Merchants Bank, Coopers-town 77-1002.
 Dogden State Bank, Dogden 77-334. (Regained.)
 State Bank of Elliott, Elliott 77-570.
 Dakota Trust Co., Fargo 77-7.
 Gwinner State Bank, Gwinner 77-607.
 First State Bank, Joliet 77-1025.
 Security State Bank, Lawton 77-1058.
 Guaranty State Bank, Mandator 77-1054.
 St. John State Bank, St. John 77-1001.
 Trenton State Bank, Trenton 77-860.

Ohio

First National Bank, Amesville 56-869.
 Commercial & Savings Bank, Berea 56-579.
 Bettsville Banking Co., Bettsville 56-892.
 Louis De Santis Bank, Canton 56-77.
 First National Bank, Carrollton 56-1302.
 Washington Savings Bank, Cleveland 6-86.
 Custar State Bank, Custar 56-1243.
 Peoples Savings Bank Co., Delta 56-665.
 First National Bank, Glouster 56-583.
 Hoytville Bank Co., Hoytville 56-904.
 First National Bank, Louisville 56-667.
 Licking County Bank & Trust Co., Newark 56-128.
 Peoples Bank, Thornville 56-1212.
 Tontogany Banking Co., Tontogany 56-1180. (Regained.)
 Farmers Commercial & Savings Bank, West Unity 56-1296.
 Zanesville Bank & Trust Co., Zanesville 56-123.

Oklahoma

Central National Bank, Bartlesville 86-86.
 First National Bank, Caney 86-1142.
 First National Bank, Davidson 86-1154.
 Farmers State Bank, Inola 86-1170.
 Guaranty National Bank, Forum 86-541.
 Farmers State Bank, Shawnee 86-34.
 Farmers State Bank, Tyrone 86-1024. (Regained.)

Oregon

Junction City State Bank, Junction City 96-308.
 First National Bank, Toledo 96-305.
 Bank of Waldport, Waldport 96-310.

Pennsylvania

Allenwood National Bank, Allenwood 60-1540.
 Arnold Deposit Bank, Arnold 60-1569.
 Peoples Deposit Bank, Beaverdale 60-1550.
 Citizens Banking & Trust Co., Brockwayville 60-1556.
 Peoples National Bank, Delmont 60-1406.
 First National Bank, Factoryville 60-1152. (Regained.)
 Highspire State Bank, Highspire 60-1549.
 Milroy Banking Co., Milroy 60-1257.
 Citizens National Bank, Monessen 60-436. (Regained.)
 Peoples National Bank, Mt. Pleasant 60-675.
 Union National Bank, Mt. Wolf 60-1264.
 Miners & Merchants Bank, Nanty Glo 60-1525.
 Northeastern Title & Trust Co., Philadelphia 3-163.
 Pennsylvania Bank & Trust Co., 7th and Wolf Sts. Branch, Philadelphia 3-146.
 Rebersburg National Bank, Rebersburg 60-1551.
 Rossiter State Bank, Rossiter 60-1544.
 First National Bank, Saegerstown 60-1323.
 Scranton Chapter, American Inst. of Banking, Scranton. (Regained.)
 Shiremanstown State Bank, Shiremanstown 60-1546.
 First National Bank, Smithfield 60-1340. (Regained.)
 Peoples Trust Co., Wyomissing 60-1449.

Rhode Island

Citizens National Bank, Woonsocket 57-65.

South Carolina

Citizens National Bank, Union 67-101.

South Dakota

Citizens State Bank, Canistota 78-332. (Regained.)
 Security National Bank, Emery 78-816.
 Security State Bank, Rockham 78-808.
 First National Bank, Westington 78-250.
 First National Bank, Wetonka 78-479.

Tennessee

Donelson Bank & Trust Co., Donelson 87-536.
 Citizens Bank, Hohenwald 87-656.
 Farmers State Bank, Jasper 87-665.
 Bank of McMoresville, McMoresville 87-427.
 Farmers & Merchants Bank, White Bluff 87-491.

Texas

Brazoria County State Bank, Angleton 88-645.
 Farmers National Bank, Arlington 88-2018.
 Athens National Bank, Athens 88-386.
 Merchants Exchange Bank, Benavides 88-1846.
 Buna State Bank, Buna 88-1709.
 First National Bank, Celeste 88-771.
 Central State Bank, Corsicana 88-2005.
 Allen National Bank, Edna 88-541.
 Commercial State Bank, El Campo 88-480.
 First National Bank, Goliad 88-652.
 First National Bank, Hemphill 88-1097.
 Kerens National Bank, Kerens 88-1864.
 Kirbyville State Bank, Kirbyville 88-372.
 First State Bank, Leakey 88-1911.
 First National Bank, Lometa 88-1531.

Texas—Continued

Seaboard State Bank & Trust Co., Port Arthur 88-142.
 Richards State Bank, Richards 88-1427. (Regained.)
 First State Bank, Rochester 88-1273.
 Farmers State Bank, Round Rock 88-1978.
 First State Bank, Saltillo 88-1416. (Regained.)
 First National Bank, Santo 88-1285.
 Columbia State Bank, West Columbia 88-1638.
 First State Bank, Wortham 88-760.

Utah

State Bank of Garfield, Panguitch 97-84.

Virginia

Farmers & Merchants National Bank, Charlottesville 68-130.
 First National Bank, Dillwyn 68-569.
 Doswell State Bank, Doswell 68-608.
 Bank of Nokesville, Nokesville 68-407.
 Union Trust Co., Petersburg 68-88.
 Bank of Scottsburg, Scottsburg 68-426.
 Peoples Bank of Patrick, Stuart.
 Wachapreague Banking Co., Wachapreague 68-582.
 Packers State Bank, Wake.

Washington

Appleway State Bank, Spokane P. O., Dishman 98-435.
 Ferris & Hardgrove, Spokane.
 First National Bank, Stanwood 98-412.

West Virginia

First National Bank, Bellington 69-175.
 Bank of Harpers Ferry, Harpers Ferry 69-282.
 Bank of Jacksonburg, Jacksonburg 69-286.
 Bank of Masontown, Masontown 69-293.
 Potomac Valley Bank, Petersburg 69-400.
 First National Bank, Princeton 69-130.

Wisconsin

Bank of Albany, Albany 79-399.
 Barton State Bank, Barton 79-891.
 Peoples State Bank, Bloomer 79-757.
 Dairymans State Bank, Clintonville 79-990.
 Footville State Bank, Footville 79-525.
 Citizens State Bank, Gillett 79-538.
 Brown County State Bank, Green Bay 79-64.
 West Side State Bank, Green Bay 79-62.
 Hustler State Bank, Hustler 79-567.
 Farmers Bank, Milton Junction 79-741.
 Villet Street State Bank, Milwaukee 12-74.
 Bank of New London, New London 79-228.
 Bank of North Freedom, North Freedom 79-628.
 Bank of Oak Center, Oak Center 79-1030.
 State Bank of Random Lake, Random Lake 79-659.
 Farmers Security Bank, Wilton 79-905.
 Farmers & Traders Bank, Wrightstown 79-726.

British Columbia, Canada

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Cuba

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